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# China Report

ECONOMIC AFFAIRS

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15 December 1982

# CHINA REPORT

## ECONOMIC AFFAIRS

No. 294

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## NATIONAL POLICY AND ISSUES

### REASONS FOR OPENING UP TO WEST, USING FOREIGN EXCHANGE EXPLAINED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 16 Aug 82 p 3

[Article by Qian Junrui [6929 0193 3843]: "Brief Discussion of the Theoretical Basis for Implementing An Open Door Policy And Using Foreign Capital"]

[Text] The twelfth article of the revised draft of the Constitution of the Peoples Republic of China which was passed at the 23rd session of the 5th CPC Standing Committee stipulated: "The Peoples Republic of China will allow foreign enterprises and other economic organizations or individuals to make investments in China in accordance with the laws of the Peoples Republic of China, and to implement various forms of economic collaboration with Chinese enterprises or other economic organizations," The article also stipulates: "Foreign enterprises and other foreign economic organizations and those Sino-foreign enterprises jointly funded and operated within the borders of China must all obey the laws of the Peoples Republic of China. Their legal rights and interests are protected under the laws of the Peoples Republic of China." The stipulations of this article are completely correct and equitable.

In modern times, economic dealings between nations is a historical certainty. More than 100 years ago, Marx pointed out that in the wake of world markets taking shape, mutual dealings and mutual dependence among nations economically, gradually replaced the circumstances of self-sufficiency of countries and closing the country to international intercourse.

Fostering This State Capitalism of Concessions Is Merely Improving Mass Production to Counter Small-scale Production

After the victory of the October Revolution, under a situation where socialistic reformation of the private ownership of the means of production had not yet taken place, and small-scale production still occupied a dominant position, and where imperialistic countries simultaneously surrounded the Soviet Union and imposed a tight blockade on her, Lenin promulgated a policy of state capitalism, including a concessions system and organizing communes, to overcome the spontaneous influence of small-scale production. Lenin pointed out: "The state capitalism of a concessions system" is merely "our directly making an official written contract with the most advanced civilizations of Western European capitalism." "The renters are capitalists. The

reason they run a business in the manner of capitalist production is to obtain profits. The reason they want to make contracts with the peasants is to obtain raw materials which are extremely hard to come by or which couldn't be obtained another way. The benefit gained by the Soviet regime is the growth of a production force which could immediately or within the shortest time possible increase production output." Lenin also pointed out: "The Soviet regime 'fostered' this state capitalism form of concessions systems to improve mass production to counter small-scale production, to strengthen advanced production techniques to counter backward production, and to strengthen mechanized production to counter man-made production." "Properly and prudently carrying out concessions policies undoubtedly can help us to smoothly and swiftly (to a definite, small extent) improve the production situation and improve the livelihood of the workers and peasants."

Our open door policy which we are now implementing to attract foreign capital, and to engage in jointly managed enterprises will be much better than that of the Soviet Union at the time, regardless of the international and internal conditions. However, there are people in the country who doubt the correctness of this policy. This is a reflection of the side effects left over from the wrong guidance of the "Left" on the economic front. They always fear being wronged; they are afraid there will be the danger that capitalism will be restored; or they construe the concept of self-reliance one-sidedly, and use these fears in opposition to striving for foreign aid.

Of Course There Will Have to be Various Sacrifices As the Price for Obtaining Advanced Technology, Increased Production, and Improved Livelihood of the People

Yes, in using foreign capital and running joint enterprises, we will suffer a little loss. Lenin said a long time ago that the intention of foreign capitalists who come to engage in joint ventures is to make a super profit. He pointed out even more clearly that engaging in concessions, we "of course have to take various sacrifices as the cost, and turn over to the capitalists innumerable poods of the most precious products as the cost." "We have given definite 'contributions' to capitalism throughout the world, and have 'redeemed' them in various aspects." However, "at the same time, we have immediately found a definite way to consolidate the position of the Soviet regime and a way to improve our management conditions. We can gain advanced technology and management methods, increase production, and improve the livelihood of the working people." These opinions of Lenin have a major practical significance as guidance for today's China using foreign capital and importing advanced technology.

This Has the Implication of Developing Capitalism, But It Isn't Dangerous Because the Political Power Is In the Hands of the Workers and Peasants

Some people worry that in socialist China, such things as bringing in foreign capital to run joint enterprises, compensating for trade losses, and bringing in materials for processing will bring with them the danger of restoring capitalism. Lenin had raised this point in April of 1921. He said: "Isn't it dangerous to invite capitalists to come to Russia? Isn't this implying the development of capitalism?--yes, this implies the development of capitalism. However, this is not dangerous because the workers and peasants hold the political power in their hands, and private ownership by landlords and capitalists is unable to be restored." "Under this circumstance, the growth of capitalism is not a danger, and the increase in products in fact can be beneficial to the workers and peasants." In new China, where the people's democratic dictatorship is more consolidated than ever, and where a socialistic economy occupies a position of overwhelming superiority, can using a little foreign capital, and engaging in a little capitalism really cause the reinstating of "private ownership by landlords and capitalists"? Can it really cause the restoration of capitalism within the scope of the entire country? This is absolutely impossible. We say with even more certainty than Lenin did at the time: there is no danger of this! Even though we pay some costs, they will serve to consolidate and develop the socialistic economy for our modernization.

The More There Are Possibilities to Participate In An International Division of Labor and in Expanding Contacts With the World, the More Contributions to Humanity

Some people construe the concept of self-reliance unilaterally, and, in opposition to an open door policy, explain that self-reliance means isolation, closing the country to international discourse, and being self-sufficient. This is completely erroneous ideology of feudalistic small-scale production. When Stalin criticized the erroneous viewpoint of Trotsky, he correctly pointed out that a socialistic state cannot cut off economic dealings with other nations under any circumstances; but, to the contrary, must establish extensive international economic relations. Within ten hectic years, we have suffered from closing the country to international discourse; it has caused our country to become distant from those nations with a fairly advanced scientific technology and economy. After the smashing of the "Gang of Four," especially since the Third Plenum of the 11th Congress of our party, our country entered into a new historical period. The basic duty of this period, just as it is stipulated in the draft of the Constitution, is "concentrate our strength to carry out the socialistic modernization construction." Our implementation of an open door policy, utilizing foreign capital, and importing advanced technology, studying foreign scientific management methods, all are to even better complete the basic duty stated above; and, precisely to increase our strength for self-reliance. Therefore, opening up to the world, striving for foreign aid, and our self-reliance complement each other; and, in no way is one the antithesis of the other.

The stronger our economic strength becomes, and the more possibilities of participating in an international division of effort as we expand our economic dealings with all the countries of the world, the more are the contributions we can make to mankind.

Under No Circumstances Permit International Capital to Encroach On Sovereignty; the Proletariat Must Handle Matters Appropriately and Prudently

Of course, the pre-requisites for implementing an open door policy and utilizing foreign capital must be for us to maintain independence and keep the initiative in our own hands, and to assure equality and mutual benefits. Under no circumstances may we permit international capital to encroach on our sovereignty and violate laws and decrees. As Lenin already stated when he talked about the concessions system: "A concession is a type of rental contract. Based on the contract, the capitalist becomes a renter of a portion of the state property for a specified time limit; but, he is not an owner. Ownership belongs to the state." Lenin also mentioned that in the implementation of the concessions systems, the proletariat must act appropriately and prudently. He further stated: "The whole difficulty with the concessions system lies in when the concessions contract is made. Everything must be carefully considered and thought out and weighed over and over, after the contract is made, adapt supervision of the implementation of the contract must be made." We must also be cautious when implementing an open door policy and in utilizing foreign capital. Under no circumstances should we lower our guard to prevent being duped and cheated. The draft constitution stipulates: "Foreign enterprises and other foreign economic organizations and those Sino-foreign enterprises jointly funded and operated within the borders of China must all obey the laws of the Peoples Republic of China." This is entirely necessary and correct.

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## NATIONAL POLICY AND ISSUES

### WAYS TO USE FOREIGN CAPITAL, TECHNOLOGY DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 30 Aug 82 p 2

[Article by Li Hao [2621 3493]: "Prospects for China in Using Foreign Capital and Importing Technology"]

[Text] No matter whether we use foreign capital or import technology, the policy adopted by our country is positive and secure. What is meant by positive and secure? Generally speaking, one means having the courage to use it; the second means to make good use of it. More specifically, we can sum up the meanings with the few points below:

#### A Positive and Secure Policy

First, have a feasible program, and persist in proceeding from less to more and step by step in an orderly way. The scope for a nation to utilize foreign capital and import technology is conditioned by various factors such as the domestic capability of providing complete sets of equipment, the capability to absorb everything domestically, the level of management and administration, capability of foreign exchange payments, and international conditions; it is not a matter of subjectively wanting more of something, and having more or of wanting to complete something fast, and doing it fast. Therefore, we must definitely pay attention to setting a reasonable limit and formulating a feasible program but we cannot lose control and create a situation where we rely on foreign capital. In the initial stages, generally speaking, it is necessary to have slightly stringent control over using foreign capital due to insufficient experience. The trend of our foreign capital flow may be imagined as a parabolic shaped entity, where in the beginning phase it moves from a little to more to its highest point; thereafter, it gradually is reduced. Right now we have just entered the beginning phase, the high tide will come later.

Second, stress economic benefits. Speaking in the broadest sense, the utilization of foreign capital and importing technology must definitely be totally consistent with the rationalization for our industrial structure. The direction in which we cast the foreign capital must be kept well in hand; in using it for those areas where there is a pressing need for growth, there must be an overall balance of advantages to the national economy.

Speaking in the most narrow sense, research must be accomplished to determine the feasibility of each item; there must be assurance for supplying energy sources, natural resources, and communications and transportation; products must be marketable based on demand and enterprises must be able to make a profit. In summary, we must devote attention to the benefits of each item itself, as well as its social benefits.

Third, have options for absorbing foreign capital and technology. There are a fair amount of sources for capital on the international market. Speaking of a China which is in the midst of developing, it is extremely necessary that in this beginning phase, we strive to obtain a number of intermediate and long term loans with intermediate and low interest, and maintain an equitable structure of foreign capital. As for selecting the advanced foreign technology, there should be more importing of that which is suitable for changing the backward situation of our technology, and that which will speed up our modernization construction.

Four, the utilization of foreign capital and the importing of technology must be combined. If we compare foreign capital with technology, the latter is most lacking and most needed by the developing nations, including China. From now on, our country will continue to strictly control the importing of large-scaled complete sets of equipment and stress a change in direction toward importing that special technology which is lacking and the key equipment which is needed. In direct investments from outside the country, we welcome those items which can be combined with importing advanced technology and scientific management methods. The reason is very simple. We wish to buy chickens that can lay eggs and learn ways to catch fish.

Fifth, continuously raising management levels, ultimately to establish a system with a high efficiency rate. We will implement a system of job responsibility, including combining the three actions to "borrow, use, repay" as one; and, for the foreign capital drawn in, to reach a point where it is repaid with interest on time. We must channel the use of foreign capital and the importing of technology into the national economic plans and guarantee capital for complete sets of equipment in the country and the supply of such things as materials for facilities. We must try hard to abolish those bureaucratic ways which cause things to be bogged down in petty details, etc.; at the same time, we must strengthen our work in training cadre and talented people for specialized fields, and establish a specialized corps which has good ideology, proper attitudes, and skills for the jobs. With these efforts, we can raise the management level and the economic benefits.

Only by implementing this positive and secure policy for using foreign capital and importing technology can we take the course towards healthy development, promote the growth of the economy, and enhance our capability for self-reliance; furthermore, the collaborating parties will profit from it.



## How Large Is the Amount of Foreign Capital To Be Used?

How large will the amount of foreign capital be which China will use during the 10 years from 1981 to 1990? Many foreign friends are extremely concerned about this question, and have made guesses. Some people believe that if China controls the domestic accumulation of the foreign capital brought in to within 10% and controls the debt repayment rate at 20%, then it is possible to achieve an accumulative total of 40 to 50 billion dollars. Of course, whether or not such a large amount can be used will still depend on many specific conditions both inside and outside the country. Considering such factors as the readjustment of our national economy, supply of energy sources, and basic transportation capabilities, I believe that from a planning standpoint it is inadvisable to go overboard; we should allow for unforeseen circumstances, and can strive to surpass them in the actual implementation.

For a considerable period of time from now on, priority will have to be given to our using foreign capital for construction of basic facilities, harbors, transportation, telecommunications, and the like, and exploiting energy sources and natural resources for mineral products, production of construction materials, and for all the composite developmental projects of a local nature. The objective for these actions is to strengthen the weak links in the state economy and guarantee a follow-up capability for later growth.

Based on the situation in China, the focal point for utilization of foreign capital and the importing of technology will be placed on carrying out technological transformation in our existing enterprises for a number of years to come. Although our mechanized industries have a fairly large production capability, they are backward as far as technology is concerned, and are in urgent need of a boost and a transformation from the importing of advanced technology. From these aspects, foreign collaboration with us can be of great significance.

Concerning future utilization of foreign capital and ways of importing technology, whatever is in vogue internationally, we will select it for use based on specific conditions. We want to explore many ways. We have several specific laws and regulations which are still not complete, but necessary provisions can be stipulated in a contract, and upon government approval of the contract, it is just as legally binding. For all types of loans, we would hope to use more intermediate to long-term loans with intermediate to low interest, but from now on we will make proper use of a number of commercial loans. Through a variety of ways, such as convening international conferences, mutually dispatching specialists, organizing advisors for consultations, and academic exchanges, we can increase mutual understanding and promote cooperation among one another. In June of this year, the "China Investment Promotion Conference" which we jointly held with the United Nations Industrial Development Team in Guangzhou, was a good effort and endeavor.

We hope that the parties cooperating with us will as far as possible expand in numbers from now on. We have always placed cooperation with the Third World countries in the most important position, at the same time, we value strengthening cooperation with the industrialized western nations.

## NATIONAL POLICY AND ISSUES

### LIAONING INDUSTRIAL LEADERS DISCUSS QUADRUPLING GROSS OUTPUT VALUE

Shenyang LIAONING RIBAO in Chinese 6 Sep 82 p 2

[Article: "The Strategic Objective for China's Economic Construction Can Surely Be Realized"]

[Text] In studying and discussing Comrade Hu Yaobang's report, leading comrades of the municipal party committees and governments and of economic planning departments in Anshan, Dalian, Benxi and Fuxin municipalities noted that the magnificent strategic objective set by the CPC Central Committee is to an extraordinary extent in keeping with Liaoning's reality and expresses the cherished desires of our province's party members, cadres and masses. We have the confidence, the conditions and the capability of meeting this general militant objective.

Gu Zhengrong [6253 2973 2837], member of the Anshan Municipal CPC Committee and deputy secretary of the Anshan CPC Committee said that in the 32 years since the founding of the People's Republic, under the leadership of the CPC Central Committee, there has been an enormous change in the Anshan Iron and Steel Mill. Its production capacity in steel, iron and steel products has increased continuously. By now it has been built into a large, comprehensive iron and steel enterprise which produces 7 million tons of iron, 7 million tons of steel and 4.2 million tons of steel products. The present Anshan mill is the equivalent of eight Anshans before liberation. The accumulated total of iron, steel and steel products produced for the state in the past 32 years is respectively 11, 25 and 22 times that of the 30 years prior to liberation. The number of variety specifications for steel has increased from 31 during the period immediately after liberation to 331 today; for steel products, from 250 to over 82,000. The total of profits and taxes accumulated for the state has been over 5 times the investment by the state. It should be pointed out here that if it were not for the "left" thinking during the first 3 years of the Second Five-Year Plan when we were overanxious for quick results and acted impatiently and if it were not for our big mistakes during the decade of domestic turmoil, we would have had an even somewhat faster pace of economic development. Since the Third Plenary Session of the 11th Party Congress, the Anshan steel mill has cleared away the influence of the "left" guiding thinking, and has traveled along a stable and healthy development track in its economic work. Its economic results have improved markedly. The amount of

profits remitted by the entire company to higher levels increased by 36 percent from 1977 to 1978. On this base, it increased by an average of 6.2 percent per annum between 1979 and 1981. This January through August brought another 771.83 million yuan in profits. Product quality has improved from year to year, the number of varieties has correspondingly increased and consumption has fallen. One after another, 29 products have been evaluated as quality products nationally, provincially and within the Ministry of Metallurgical Industry. Practice has shown the lines, principles and policies of the party since the Third Plenary Session to be entirely correct. At the same time it has thoroughly proven that if our economic work develops at this kind of pace, we will certainly fulfill the great objective of quadrupling our gross annual output value by the end of the century. Gu Zhengrong continued by analyzing the favorable conditions for future economic development. He said that we have brought to an end the many years of domestic chaos in our nation, created stability and unity, and turned the focus of the work of the entire party to modernization. Furthermore, the party's guiding ideology in economic work is correct and its principles and policies are on target. This situation will definitely continue to consolidate and develop for a long time. With over 30 years of strenuous effort, we have already formed a relatively extensive material and technical base. In addition to a rich supply of manpower, materials and resources, the Anshan mill even more importantly has an iron and steel army whose thinking is advanced, who are well-versed in technology and who can fight a hard battle, and management cadres and technicians at each level with rich experience in production struggles. Extra-large enterprises such as Anshan's steel are great in manpower, great in industry and even greater in potential. If only we continuously improve the level of management, raise product quality, lower consumption, increase economic benefits and do a good job of technical reform in old enterprises, Anshan can make a big step forward. It is entirely possible for it to meet the militant general objective.

Comrades from the planning commission of Dalian Municipality, recalling the condition of industrial development in Dalian Municipality over the past 3 years, said that due to the readjustment of the national economy during these years, the municipality's gross industrial output value increased by 3.9 percent per year, but that a very large hidden potential remains. Manifested first in the technical reform of key enterprises and key products, over the 3 years, 409 key technical reforms were put into production in the municipality; output value has already increased by 370 million yuan. Next year another 230-plus technical reform items will be put into production, and could increase output value by an additional 250 million yuan. During the sixth and seventh 5-year plan periods, technical reforms could increase annual output value by 200 to 300 million yuan. This item alone could increase industrial output value by over 3 percent a year. Dalian, on the coast, has favorable conditions for developing industrial products for export. The volume and number of products exported has continuously increased over the past 3 years. Total exports of industrial products last year reached over 700 million yuan. Long distance foreign sales were made of numerous heavy industrial products, such as 10,000-ton ships, petroleum products, small-scale electrical machinery and refrigeration equipment. Dalian's light industrial products, clothing, shell carving pictures and high-grade glass containers for household use enjoy a very high reputation on the international markets. Henceforth, Dalian's industry must

develop even further. They also noted that shortages of fuel and electrical power during these years have prevented a number of enterprises from producing at full capacity. With further energy extraction and the utilization of energy-saving techniques, industrial output value could increase by over 3 percent per year even with no increase in equipment or investment. They said that if only we persist in carrying out the party's lines, principles and policies and do a solid job, it is entirely possible for the municipality's gross industrial output value to increase by 7 to 10 percent per year. We can certainly quadruple gross output value by the end of the century and fulfill the great objective for 20 year economic construction proposed by the party Central Committee.

Deputy Secretary Ma Boman [7456 3134 3342] of the Fuxin Municipal CPC Committee reflected that the great objective of quadrupling the gross annual value of industrial and agricultural production is entirely possible, in light of the conditions in Fuxin Municipality. Because the party's policies have penetrated into people's hearts since the Third Plenary Session of the 11th Party Congress, industry and agriculture have grown quite rapidly in Fuxin, but because the technical and managerial levels are not high, economic results cannot be considered good, and Fuxin has not attained an ideal pace of development. Another way of looking at this is that the development potential is great. If the municipality's enterprises can attain the levels of advanced enterprises in its prefecture, their output value can multiply. Moreover, Fuxin is rich in energy resources, with preliminarily proven coal reserves of about 500 million tons. Currently, only 100-odd million tons are extracted. We use less than 10 percent of the tens of thousands of tons of usable slag. Henceforth we must direct the force of our attack at developing new energy resources and expanding the construction materials industry, so as to bring Fuxin's advantages into play. We can definitely do a good job of economic construction in this way.

Leading comrades of the Benxi Municipal CPC Committee and the municipal government carried out a serious discussion connected to the industrial realities of Benxi Prefecture. According to them, the most important aspect of current economic construction is not to add to the number of projects or to overreach ourselves. The key in a heavy industrial base such as Benxi is to get a handle on the strategic foci, beginning with building up the energy industry. Benxi is a major consumer of energy, with an overall consumption of 10 percent of the province's and 1 percent of the nation's. This year, a shortfall of 500,000 kwh per day and 600,000 tons of coal for the year have reduced output value by 160 million yuan. Although this problem was studied many times in the past in the municipality, the resulting proposals involved relatively large local investments, so they were never accepted. In studying and discussing Comrade Hu Yaoban's report, the leading comrades of Benxi Municipality could see the importance and urgency of energy source construction. They had the feeling in common that for Benxi Municipality to realize the strategic objective of economic development, it must hold fast to the strategic keypoint of developing energy sources. Money must be spent on the cutting edge and manpower and materials must be committed to where it is the most needed. We definitely can no longer build fires without fuelwood. They unified their thinking and understanding and formulated a program for arduously developing

energy sources during the sixth 5-year plan period. First, they are going to speed up the renovation and construction of local coal mines. Benxi Prefecture has 40 local coal mines. From now on two of these will be renovated each year and two new mines will be built, in an effort to lift the amount of locally produced raw coal from the current 500,000 tons to 1 million tons within 3 years. Second, they are going to renovate old electrical plants and build new ones. Both thermal and hydroelectrical plants are to be promoted. Within 3 years the present boilers at Benxi's electrical generating plant are to be changed into high temperature, high pressure boilers, so that all three sets of equipment will generate 25,000 kw of electricity. At the same time, the sets of large-scale generating equipment at two cement plants will be renovated to improve their generating capacity and speed up the project construction of Beitai iron and steel plant's own electrical plant and of the waste heat generation projects of the Benxi County cement plant and the Huolianshai concrete plant, thereby striving to bring them into use as early as possible. They will make more thorough use of the water resources of the mountainous districts to build hydroelectric power stations with an installed capacity of 15,000 kw. By 1986, the amount of electricity generated in Benxi Prefecture will increase by 560 million kwh, more than half again as much as at present. Then Benxi Prefecture's energy shortage will be relieved considerably, and a good foundation will be laid for a new economic upsurge.

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NATIONAL POLICY AND ISSUES

HEILONGJIANG VICE GOVERNOR DISCUSSES INDUSTRIAL QUADRUPLING

Harbin HEILONGJIANG RIBAO in Chinese 9 Sep 82 p 4

[Article by Chen Jianfei [7115 0494 7378], Secretary of the Heilongjiang Provincial CPC Committee and Vice-Governor: "Quadrupling Our Province's Industry Is Entirely Possible"]

[Text] In his report to the 12th National Party Congress of the Communist Party of China, Comrade Yu Yaobang proposed that China's gross annual value of industrial and agricultural production quadruple between 1980 and the end of this century. This magnificent goal deeply encourages us, and we support it firmly. The proposal of this target rests on a completely scientific base and corresponds to the actual conditions in China and Heilongjiang. As far as our province's industrial production is concerned, quadrupling is entirely possible.

First, the rate of growth. Quadrupling the gross industrial output value in 1980 of 24.5 billion yuan yields 98 billion yuan. To reach this target in 20 years requires an average annual growth rate of 7.2 percent. During the past 30 years, our province's gross industrial output value has increased by an average of 11.2 percent, even without deducting for the disruption of the "great leap forward" and the effects of the 10 years of chaos. Without these two influences, the rate of growth would undoubtedly have been even greater. For example, average annual growth during the First Five Year Plan was 15.7 percent, while from 1963 through 1965 it was 18.8 percent. In the practice of the past 30-odd years, we have accumulated both positive and negative experiences and come to know well some of the principles of economic construction. Especially when this is combined with the implemented spirit of the 12th Congress, it will be entirely possible for Heilongjiang's annual industrial growth to be 7.2 percent or even a bit higher.

Second, look at resource conditions. The rich natural resources of our province are a favorable condition for accelerating the pace of industrial development. For example, we have over 10 billion tons of proven coal deposits. Annual production increased by seven or eight times, from 4.9 million tons in 1950 to 42.44 million tons in 1980. Nonferrous metal deposits are also



considerable. Our reserves of copper are second in China; those of lead and zinc are relatively abundant; and gold reserves constitute a very large percentage of the nation's. We have only just begun to exploit these mineral deposits, and we could greatly speed up the pace of extraction from now on. Heilongjiang's petroleum output is half of China's gross output. There is a broad future for the comprehensive utilization of petroleum products. Once the 300,000 ton ethylene project we are now in the process of building comes on line, we will have over 580,000 tons a year of plastic, chemical fibers and industrial chemicals. The composite value of the reprocessing of these materials will equal the current output value of Daqing. The forestry industry is the same. Although the felling of timber is controlled by plan, prospects are bright for its comprehensive utilization. The current rate of comprehensive utilization of timber is only 20-some percent of the amount felled. There is great potential in raising the rate of utilization to process wood products in a big way. Again, the broad grasslands of our province cover 10 percent of its total area. We can expend a great amount of effort to develop cattle and sheep. Their milk, skins and wool can provide a rich amount of raw materials for light and textile industries. Our province has an even greater advantage in sugar beets and flax. Over the past three years, the annual output of sugar has increased from 160,000 tons to 380,000 tons. We also have a considerable potential in the processing of edible oils and foodstuffs, building materials, paper making and chemical industry.

Third, look at the material and technical base of our enterprises. After 30 years of construction, Heilongjiang now has over 20 billion yuan in fixed assets. We have a relatively solid material and technical base in machine building, metallurgy, petrochemicals, light industry and textiles. We will have to rely in the main on our existing material base to do the quadrupling. Currently, the economic benefits of these assets are not as high as they should be. If we catch up with the advanced levels in the nation, there will be no problem whatsoever with quadrupling output.

Fourth, look at our technical capability. Our province now has over 100,000 engineers, technicians and scientific researchers of various kinds. Each year brings hundreds of achievements in scientific research. When these achievements are turned into direct forces of production, it will forcefully impel the pace of our province's industrial growth and the improvement of its economic efficiency. Henceforth we must further implement the policies on intellectuals and use those people to full advantage in joining scientific research with production in order to propel Heilongjiang's industrial development at a fast pace.

Of course, quadrupling output within twenty years is no easy matter. We will have to expend an enormous amount of labor. But we definitely can reach our goal if only we actively mobilize the people of the province, conscientiously implement the spirit of the 12th Congress, raise our sense of responsibility as masters of our own fate, make full advantage of our superior conditions, unearth our potential in a big way, and do our work in a down-to-earth manner. We should see that the 7.2 percent growth rate does not have to be attained

each year. We can go a bit slower in the first decade, and a bit faster in the second. Some regions and lines of activities can be a bit faster, a bit higher, while others are a bit slower or lower. At present, we must conscientiously carry out our industrial readjustment and reorganization, to make our distribution of industry daily more rational and our industrial structure daily more scientific, and continuously to raise the level of enterprise management. Then, the pace of development will definitely pick up in the last dozen or so years.

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## NATIONAL POLICY AND ISSUES

### PROBLEMS OF PLANNING TECHNOLOGICAL REFORM DISCUSSED

Chengdu SICHUAN RIBAO in Chinese 17 Sep 82 p 3

[Article by Li Shaoyu [2621 1421 1342] and Tian Guangzhan [3944 0342 0148]: "A Major Condition for Achieving the Strategic Economic Objectives--Discussing the Problems of A Planned Promotion for Technological Reformation"]

[Text] To make a planned drive for technological transformation and further bring into full play the role of our present industrial enterprises within a fairly long period of time from now into the future, is an extremely important undertaking. By successfully completing this undertaking, not only can the present circumstances be changed where jobs for heavy industry are insufficient, enabling the current economic growth to maintain a definite pace, but even more importantly, production capacity can be increased; and the technological level of industry can be raised so as to create good conditions to attain the 20-year economic strategic goals promulgated by the 12th Congress of the Communist Party of China.

Marx has pointed out: "The foundation for the technology of modern industry is revolution." "With the passage of time, there will always come a day when old capital will have to be replaced from top to bottom, and shed in the same way, technology is regenerated with an even more perfect form."

In The Collected Works of Marx and Engels, Volume 23, pp 533, 689, Marx brought to light the inevitability of the reformation and replacement of technology in enterprises, it is a completely accurate scientific truth borne out by historical proofs in the growth of industry in the world. Our country has undergone more than 30 years of construction, we have nearly 400,000 industrial and communications enterprises with fixed total assets value amounting to 500 million yuan, about 31 times that at the time of the founding of the Peoples Republic. This has already laid a preliminary foundation for industrialization. Under this situation, except for some weak links, we could change from implementing a strategy of expanded reproduction through extension as our primary goal to a strategy of expanded reproduction through intension. That is to say, we should principally bring to pass equipment replacement and technological transformation to cause a regeneration of the fixed capital assets of the industrial enterprises through even more perfect forms from a technological standpoint. However, for a long time, because the economic construction work has been obstructed

by the "Left," in our expanded reproduction efforts, more often than not, new construction has been emphasized, but transformation of technology has been disregarded. Emphasis has been placed on "extensive" while making light of "intensive," with not enough importance placed on bringing the role of our present enterprises into play. In recent years, some enterprises have tapped their potentials, made innovations and transformations, but put too much emphasis on expanding quantity and disregarded raising the quality; there was much "extension of what's inside the factory," but little replacement of equipment. In this way, the situation has brought a series of problems to industrial production, one of which is the depreciation of equipment. Equipment belonging to the 1930's through the 1950's constitutes 55-60 percent of the original value assessment of our fixed assets; equipment with advanced technology of the 70's and 80's, only constitutes 10-15 percent. In our provinces' textile industry, machines and equipment in use which are 30 or more years old, constitute 58.3 percent of the total production capacity. A second problem is that technology is backward. For example, the light industry production of such things as daily articles, shoes, ceramics and mechanized production of these items is only 30 percent; and labor productivity is only commensurate with that of about 90 percent of the same trades outside the country. Our country lacks energy resources; yet, due to such reasons as backward technology, the utilization rate for the energy resources we do have is only about 30 percent, a very serious loss. A third problem is that products are outmoded. Many of our products are familiar ones which have been "made for ten years straight," and even ones "made for 30 years straight." Of our mechanized production, 60 percent of the products are still at the same standard as that for the 1950's. This cannot but seriously influence technological progress of the national economy at all levels. A fourth problem is that factory buildings are in bad repair. In our country, there exists problems for most cities of factories in bad repair, with the exception of a small number of burgeoning industrial cities. Some of these problems have seriously affected production and have reached a critical stage where solutions have to be found.

The problem is obvious. The existing situation from the standpoint of our industrial production as related above, is incompatible with achieving the strategic objectives promulgated by the 12th Congress, to continue to push forward with socialist modernization and economic construction. The vigorous development of the economy must depend on the present industrial technological foundation. If we are to triple the gross output value of industry and agriculture by the end of the century, we definitely must start now, and relentlessly promote the technological transformation of our industrial enterprises. Only by conscientiously popularizing every kind of technological gain which already has provided good economic benefits, positively adopting new technology, new equipment, new crafts, new materials, and continuously raising production capacity and the level of technology and management, will we be able to successfully lay a foundation for vigorous development of the economy. If we do not carry out a technological transformation, industry will then be unable to smoothly and speedily develop under the present conditions and

enterprises will likewise be unable to grow with new vigor. If this happens, the grand blueprint sketched by the 12th Congress of the Party will then be impossible to successfully achieve.

The practices in many localities these past few years tell us that not only is it necessary to carry out technological reformation for our present enterprises, but also that it is realistic to do so. Since, with original technical equipment, technical personnel and complete facilities to serve as support, a technological reformation, compared to starting from scratch, would have the special characteristics of frugal investment, fast growth, and high yields; it would be easy to handle under our present conditions. Based on calculations of some specialists, relying on the present enterprises to carry out a technological transformation, compared to newly constructed enterprises with the same level of production capacity, will save two-thirds of the required investment; the consumption of equipment and raw materials will be cut almost in half; and, the construction period can also be greatly shortened. This fully illustrates that relying on old businesses to carry out technological reformation to develop industrial production is a new way to develop a socialist economy more quickly and with good savings.

If we are now to conscientiously complete a technological reformation in accordance with the strategic plan of the 12th Party Congress, we need to bring on a true change in ideology and work. First, on the way to implementing expanded reproduction, the first requirement is to change the past guidance of emphasizing "extension of what's in the factory" as a way of tapping latent potentialities, and in making innovations and transformations. Only by meeting these two requirements can we solve the problems in ideology and work. Second, in formulating the plans for technological reformation, we must change from rushing into action to unified planning, with due consideration for all concerned, and proceed step by step, focusing on certain points. Only in this way, can we guarantee that the state economy will grow in a proportioned, coordinated manner for each level. Third, in arranging for equipment items, we must be alert in using advanced achievements in science and technology. Finally, for the accumulation of capital, we should mainly rely on enterprises, and private funding and bank loans, locally and at the branch level. Only with the adoption of these various measures and making the economically beneficial investments, can everything be put into full play.

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## NATIONAL POLICY AND ISSUES

### USE OF PRIVATE FUNDS FOR PUBLIC ECONOMY URGED

Chengdu SICHUAN RIBAO in Chinese 17 Sep 82 p 3

[Article by Meng Zheng [1322 1767], Zong Qiang [1350 1730], and Yu Ping [1342 1627]: "Private Accumulation of Capital To Run Collective Economy Is Good Approach"]

[Text] Comrade Hu Yaobang pointed out in the political report to the 12th National Congress: in these past few years, the cooperative economy financed and run by young people and other residents in the cities and towns, has grown in many localities and has played a useful role. Looking at the actual situation in our province, the people in the cities and towns have been self-reliant in raising money to set up a collective economy, enabling them to play a crucial role. This is indeed a good way to effectively economize.

What is private ownership of a collective economy in the cities and towns? We believe that it is the socialist public ownership of the economy, where the working people raise money themselves, independently manage and administer it, and take the responsibility themselves for its profits or losses. The special characteristics of this collective economy are that the members within an enterprise jointly own the means of production, work together, and jointly allocate the fruits of production. Only if an enterprise has these characteristics is it worthy of being called an organization with a collective economy. Among these special characteristics, those of raising money on one's own and joint ownership of the means of production form the major foundation for successful management of the collective economy. The staff and workers of a collective enterprise depend on their own strength to raise money or use their own equipment or space, evaluating these in terms of money as a shareholder, bringing about joint ownership of the means of production, before they really feel that they are an owner of the enterprise, thereby they work with increased exertion. In production, they pay attention to careful calculation and strict budgeting, and increase the concern for the enterprise's production and gains in the market. This kind of enterprise will inevitably grow fast, have good results, and become more and more prosperous. On the other hand, collective enterprises which simply rely on the state or those units of businesses which draw money to operate, neither the money nor the means of production are jointly owned by the workers.

Their sense of responsibility as masters falls very short. Some of these people have an attitude of doing no more than what one is paid for, which affects the zeal of the workers. Obviously, these kinds of enterprises which are not worthy of being called collective enterprises are unable to develop soundly.

In the present stage of our country, different economic forms have appropriately different management systems and methods. In the area of economic accounting, sole responsibility for profit or loss is carried out across-the-board, full economic responsibility is assumed for the results of one's own management; from the standpoint of managing an enterprise, widespread democratic managing is implemented. This is one of the signs which differentiates the collective ownership economy of the cities and towns and ownership by the whole people; it is also the strong point and basic feature of a collective economy. These features and strong points stem from the decision that the special characteristics of a collective economy are for the members to raise money on their own and to jointly own the means of production. First, the workers accumulate money and the means of production on their own. These things then become everybody's collective property which can only be used for oneself, others have no right to own them. Using these means of production to launch production management activity, the profits or losses can only be borne by oneself; if there are losses, neither other units nor individuals may provide compensation; if there are profits, no unit has the right to not repay on an equal basis. If collective enterprises implement the sole responsibility for their profits or losses in this manner, then they can bring the initiative of the workers into full play. Since an enterprise's profit or loss is assumed by itself, both are mutually associated with the vital interest of the staff and workers. This can spur all the staff and workers to be concerned about the fruits of production, and will bring about the full play of the role of motivation in a collective economy. This management method of collective responsibility for profits and losses, taking from those, who have too much and give to those who have too little, and "eating out of the same pot," has many advantages. Second, with the members of an enterprise raising money on their own and jointly owning the means of production, they are in an equal position, forming a real and true comradeship. In this way, each staff member and worker can participate in the management of the enterprise and the supervision of the production activity with the air of an owner. They can carefully select the leaders of the enterprise, carry out democratic elections, and initiate participation in making decisions on the major technical problems with production for the enterprise; they can carry out democratic policy decisions, implement supervision of the economic expenses of the enterprise, and conduct democratic financial transactions. With the vast majority of staff and workers implementing democratic management of the enterprises in this manner, there is no doubt that it will be extremely beneficial to the consolidation and development of the collective economy.

At present, in taking the path where the main thing is to raise money privately, the development of a collective economy and the organizing of

labor employment still have special significance. Our country is in the midst of a period of economic readjustment where national financial resources are extremely limited. How to utilize limited money, set up even more enterprises, and arrange for even more employment for those awaiting jobs, are of utmost concern to the people. Under these circumstances, by completing the work, inciting the workers and masses to stand on their own, and amass idle capital to run a collective economy, we can reduce the pressure on the country, and greatly quicken the pace towards developing a collective economy. For example, Shanghai county incited the people to raise money on their own to set up collective enterprises. The people enthusiastically made investments and quickly opened 343 small businesses, finding places for 2,935 people waiting for work. Due to implementing a policy of "the people taking the lead to raise money on their own, supplemented by state aid," the national average amounted to expending only 37 yuan per each person for which employment was found greatly decreasing expenditures. At the same time, this method of raising money on one's own to run an enterprise neither required the layer upon layer of costs for submitting applications nor the layer upon layer of approvals; instead, the procedures for this were both simple and convenient. After the working people have made investments, each and everyone will think of ways and pay attention to management styles which are flexible and easy for soliciting help from potential backers; the enterprise can quickly start operations and conduct business. This is hard to accomplish when using the "waiting and relying on orders" method to run a collective enterprise. Therefore, it may be said categorically that the raising of money on one's own to run a collective economy is a good way to easily accumulate finances and to quickly see the good results.

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## NATIONAL POLICY AND ISSUES

### 'HEBEI RIBAO' CALLS FOR IMPROVED INDUSTRIAL QUALITY

Shijiazhuang HEBEI RIBAO in Chinese 19 Sep 82 p 1

[Article by Commentator: "Use the Spirit of the 12th Party Congress to Motivate Improvements in Product Quality"]

[Text] On the day that we celebrated the victorious convening of the 12th National Congress of the CPC, China's fifth "quality month" also began. All the cadres, staff, workers, engineers and technical personnel on Hebei's industrial, construction and communications fronts must use the spirit of the 12th Party Congress as a motive force in working hard to increase the number of product varieties, improve quality and raise economic effectiveness, in order to lay solid groundwork for realizing the magnificent goals in economic construction.

Since the first "quality month" in 1978, our province's industrial and communications enterprises have actively promoted all-round quality control and striven to improve product quality, create name brands, aim at producing top quality items, and develop new products. The levels of quality management and product quality have both improved. Nonetheless, in light of the requirements of modernization and the livelihood of the people, there are still very large disparities in the types and quality of Hebei's industrial products. The quality of some products is unstable. Compared with a comparable period last year, more products have piled up because of unsalable designs and varieties. Our activities during this year's "quality month" must be centered closely around the core topic of improving economic efficiency, with a wide-scale campaign to "seek real benefits, satisfy the consumer." The various industrial sectors and enterprises must put improvement of product variety and quality control in first place. All localities, departments, and enterprises must act in accordance with social needs and, making reference to the domestic and international advanced levels, draft plans to upgrade and replace products, adopt truly feasible measures, and organize campaigns to compare, study, catch up with and exceed in product quality, so as to transform as rapidly as possible the backward condition of "producing things the same way for a number of years." All products must have grading standards, and the percentage of first-grade and top-quality products must be expanded.



The quality of key products must reach the most advanced national levels in the same industry. We must upgrade the quality of those which have not attained these levels, or renew and replace them. We must limit the production of those old products with backward properties, high energy consumption, or which cause serious pollution, and gradually phase them out. We must give priority in arranging raw materials, fuel and power to high quality name brand products, so as to create inexpensive, marketable products which create and retain their advantages and which provide greater material beauty to society.

At present, strengthening the technical base is a key link in transforming the backwardness of our province's product variety and quality. We must first of all do a good job of standardizing enterprises, focusing on drafting good technical standards and adopting those which are advanced and rational. High quality name brand products at the province level and above must have internal control standards. We must improve our measuring and testing procedures and set up or improve all original records, statistical data and quality files. Each enterprise must do a good job of maintenance and upkeep on its equipment and ensure that its measuring implements and test instruments are in good condition and accurate. At the same time, they must accelerate the renewal and replacement of old products in a planned and measured way, actively improve their work techniques, adopt new technology, develop new products, and raise the competitiveness of their products.

We must actively promote all-round quality management, and set up a quality assurance system. The first batch of over 7,000 reorganized enterprises in Hebei and test-site enterprises for all-round quality management must all promote all-round quality management in a conscientious way. Those enterprises which have not carried out all-round quality management should strive to create the conditions which will allow them to do so as soon as possible. Those which have carried it out should proceed from their own actual conditions and, in conjunction with long-term plans to create first-rate products, carry out factory policy target management, utilizing the method of gradually breaking down the targets to standardize the quality quotas so that they can be operative down to the individual level. They must make "service to the consumer" into an integral part of all-round quality management. They must concentrate on training for all-round quality management, pay attention to training a technical core which understands all-round quality management, set up a set of advanced collectives and individuals in all-round quality management, and develop such management work in even greater breadth and depth.

The key to developing new product varieties and improving product quality lies in the leadership. Leading cadres at all levels must continuously raise their consciousness of the importance of product quality, turn the focus of their work from quantity and increasing capacity to quality and increasing product variety, and foster and strengthen the production management principle of survival through quality and development through product variety and the mind set of "serving the consumer." The leading industrial departments at all



levels and the enterprises must have leading cadres who pay special attention to product variety and quality. We must strengthen the quality management organs at each level and staff them with quality management personnel who are professionally experienced and who understand technology. Leading cadres must turn around their work style and get involved with the basic levels. They must carry out investigative studies and concretely aid the enterprises in solving problems which arise in developing new products and in improving quality. They must pay attention to discovering and fostering models, promoting advanced experience, and developing inspections and evaluations of quality management. In our "quality month" activities, we must organize publicity and inspect and commend advanced activities, so that the thinking of "quality first" will strike root among the masses.

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## NATIONAL POLICY AND ISSUES

### TIANJIN, SHANGHAI ENGAGE IN PRICE COMPETITION

Tianjin TIANJIN RIBAO in Chinese 22 Sep 82 p 2

[Article by Cong Zhao [9654 0664]: "The Role of Price in Competition"]

[Text] With commodities becoming more abundant on the market day by day, and with competition becoming fierce, price has become an important factor in marketing commodities. Comparing numerous production and operating sectors, those who have had the earliest and deepest awareness have often fought a battle of initiative and prevailed in the competition. Some enterprises in Shanghai are particularly prominent in this regard. For example, after we reduced the prices of watches, the retail price in Shanghai was higher than in Tianjin. They felt that this was not good, and sought to bring it down to Tianjin's level. When they set the prices of their commodities, they spared no effort to set them at the most competitive level. Since the beginning of this year there has been a big upswing in purchases of domestically marketed table tennis balls. Shanghai prepared for a major increase in production and set the price at a level which, if matched by other areas, could cause the latter to operate at a loss. The relevant sectors in Tianjin have also done a lot of homework on the pricing of industrial commodities. For example, the Tianjin Knit Goods Mill produces a 32-count combing light rose undershirt with stable quality and a price consistently one-third below Shanghai's; it has become a prestige commodity in the domestic markets. The market for sleeveless garments has already become saturated in China, but various localities are sending in bills of lading one after another. The width of 816 knitted polyester faced material is 5 cm wider than Shanghai's and the quality is also good, yet the price is comparable. At present, polyester knits have become a stagnant commodity in China, but their sales are still quite good.

Our municipality actually has a number of operating units which do not pay much attention to using the economic lever of price to keep on top of the ever-changing market. When prices are nationally uniformly regulated, some suffer major losses because of inadequate information. Before 1981, the 60-count, 3-ply polyester taffeta produced in Tianjin was of the same quality and price as Shanghai's, with sales relatively normal. During the first half of this year, Shanghai's price per unit fell from 4.33 yuan to 3 yuan, while ours went from 4.33 yuan to 3.47 yuan, 15 percent above Shanghai. As a result, various localities have one after another turned to Shanghai to

replenish their stocks. This year, Tianjin's procurement plan linking industry with commerce was 250,000, down 810,000 from last year, with an excess commercial inventory of 500,000. In some cases, it is patent that marketing is affected by prices being too high, yet although prices have to be reduced, those responsible cannot bring themselves to do it. Others, their vision obscured by temporary high demand, blindly seek profits and raise prices. Recently, one factory, whose product had a certain reputation on the market, changed its specifications and raised its selling price. As a consequence, they lost their market and had to change their production. Another factory, whose product was a bit showy but could hardly be counted as a name brand, stubbornly fixed its price at the level of the name brand product, inasmuch as market demand for the good was quite high. The good times did not last, however; within 3 years their sales had slipped badly. During the latter half of this year, national sales orders were only about 4 percent of the year's total. The only way to turn around this passive situation is to change the external appearance and reduce the price to the level of an ordinary product.

To sum up the above, it is not hard to see that the living standards of the Chinese people are still not too high, particularly in the today of the rural markets of the 800 million peasants. This clearly makes it even more important to pay better attention to making small per-unit profits with a quick turnover, and to winning victory through lower prices. Although lower unit profits may reduce a factory's economic benefits a bit in the immediate run, in the long-run they can maintain the expansion of reproduction, as well as yield large economic benefits. On the other hand, the single-minded pursuit of present profits could bring in relatively high economic benefits for a period of time, but very shortly the markets will be lost and inventories will pile up. I'm afraid that even the original benefits may be lost.

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## NATIONAL POLICY AND ISSUES

### QUADRUPLING OUTPUT REQUIRES IMPROVED EFFICIENCY

Beijing RENMIN RIBAO in Chinese 12 Oct 82 p 5

[Article by Pang Yongjie [7894 3057 3381]: "Travel the Path of Raising Economic Effectiveness"]

[Text] The 12th Congress of the Communist Party of China (CPC) drew up a magnificent blueprint for China's economic and social development. This blueprint unfolds the bright prospect of quadrupling China's annual industrial and agricultural output value in the 20 years from 1981 to the end of the century, allowing the material and cultural living standards of the people to reach a comfortable level. To realize this strategic objective in economic construction, we must travel the path of raising economic effectiveness.

Since our country was founded, its socialist economic construction has proceeded rapidly and scored great achievements. At first, economic effectiveness was also relatively good, but over a relatively long period, "Left" mistakes of blindly pursuing high targets, high levels of accumulation and rapid rates of growth led to relatively serious imbalances in the national economy. The resulting poor efficiency caused extremely serious losses and waste in the economy. Numerous important indicators of economic efficiency not only fell further and further behind advanced world levels but also dropped well below China's first 5-year plan period. Our historical experience tells us that a rapid pace of growth with poor economic efficiency costs us more than we gain. For example, during the second, third and fourth 5-year plans, we paid no heed to efficiency in economic construction and sought exclusively to pursue growth rates in output and output value, losing and wasting a large amount of human, material and financial resources. Actually, only an economically efficient growth rate is a solid one which can continue stably. The pace of the First Five-Year Plan and the 3 years of readjustment was based on maintaining and restoring the comprehensive balance of the national economy and on improved economic efficiency. As a result, social wealth increased and the people received real benefits. Therefore, in the course of our socialist economic construction, we must unify economic efficiency and the rate of growth and accelerate the latter on the precondition of improving the former. The only correct path is one where we strive not only for economic efficiency but also for a fast rate of growth.

After the Third Plenum of the 11th Party Central Committee, things were set to right, and the development of the national economy began to turn onto a new path which was relatively dependable, with relatively good economic efficiency, and along which the people could obtain even more real material benefits. This was an important strategic turnaround. Over the past 3 years, the average annual increase of 4.1 percent in agriculture, a pace which not only exceeds that of the previous several years but is also faster than during the First Five-Year Plan. At the same time, initial successes were scored in improving the effectiveness of energy utilization, in readjusting and turning around enterprises which had been running in the red, in speeding up the turnover in circulating funds and in increasing the rates of consignment for utilization of fixed capital. Nonetheless, the condition of poor economic efficiency which formed over a long period of time has not yet made a fundamental turnaround. Waste in production, construction and circulation is still most startling, and numerous important indicators of economic efficiency remain below the best historical records already attained in the past. This explains that our country's potential for economic development is still quite great. Let me now draw up a few rough accounts comparing changes in economic efficiency in industrial enterprises owned by the whole people over the past 3 years and the past 30 years.

During the 3 years from 1979 to 1981, profits and taxes realized from each 100 yuan of funds (the net value of fixed capital plus normed circulating funds) increased by 26 percent over 1978, but were still 24 percent below the First Five-Year Plan. If they were raised to the level prevailing during the first 5-year plan period, approximately 30 billion more yuan could be provided in profits and taxes. The average increase in national income from each 100 yuan in productive accumulation increased by 117 percent from the Fourth Five-Year Plan to 1979-1981, but was still 24 percent below the first 5-year plan period. If this value were increased to the First Five-Year Plan level, we could increase national income by over 10 billion yuan. In 1981, 1.8 yuan fewer circulating funds were required for each 100 yuan of output value than in 1978, but this was still 6 percent higher than during the First Five-Year Plan. If the amount of circulating funds used could decline by 1 percent, we could save over 3 billion yuan in funds; if it were reduced to the First Five-Year Plan level, we could save nearly 20 billion yuan each year.

These conditions demonstrate that the key link in striving for a fundamental turnaround in the financial and economic conditions and in realizing the goal of quadrupling production is to work hard to raise economic effectiveness in the realms of production, construction and circulation. For industrial and agricultural gross output value to quadruple within 20 years, the average annual growth rate must reach 7.2 percent, and must not have any spurious components. Under present conditions of production, it is clearly insufficient to rely exclusively on the amount of funds and energy provided by the newly added forces of production each year to attain this growth rate. We must seek funds, energy sources and rapid growth in improvements in economic efficiency.

We must ensure that we have correct macropolicies and that the national economy develops in a concerted manner. Comrade Zhou Enlai once pointed out that the greatest savings is that created by plan and the greatest waste was also that

created by plan. If we are to raise our economic efficiency, we must begin by ensuring that macropolicy is in accord with objective reality, and that the long-term, medium-term and annual development plans are definitely extremely reliable. Under the guidance of a correct macropolicy, we will progressively rationalize our economic structure, correctly place greatest importance on the production of consumption goods, and retrack the production of the means of production to serve the production of consumer goods and to serve the technical transformation of the entire society.

We must reform our economic management institutions and thoroughly arouse the socialist enthusiasm of the central and local authorities, the enterprises, and the laborers. Another important reason for our country's long-term low economic efficiency lies in the inability of the economic management and distribution institutions to thoroughly arouse the enthusiasm of all parties. Over the past several years, we have already scored some marked successes at test sites for reform in some municipalities and a batch of enterprises. We must definitely act in accordance with the strategic plan of the CPC Central Committee and the State Council and, on the basis of consolidating and completing the initial reforms which we have already carried out, and after making thorough preparations, carry on the reforms in a planned and methodical way. Such reforms will allow the rationalization of our economic management institutions and provide the central and local authorities, the enterprises, and the laborers each with their proper economic responsibilities, rights and interests, thereby thoroughly stimulating their creativity.

We must actively develop science and technology, and carry out technical reforms based on key points and in a step-by-step manner. The key to China's carrying out the four modernizations lies in the modernization of science and technology. Only when the entire economy is armed with modernized technical equipment can we greatly increase labor productivity and economic efficiency, and make a fundamental transformation in the appearance of China's social economy. Therefore, in the course of carrying out the four modernizations, we must carry out renovation of equipment and technical reforms in a focused way in old enterprises, centered closely around raising economic efficiency. At the core of the reform we must place economizing on energy sources and on raw materials, continuously lower their consumption, improve produce quality, and promote the upgrading and replacement of products with next generation products.

We must effectively reorganize our enterprises and work hard to raise the level of their management. The condition of enterprise management is an important factor in determining the quality of economic benefits. It is therefore necessary to carry out an all-round, step-by-step, batch-by-batch reorganization of our enterprises. This reorganization will realistically strengthen the leadership groups while establishing a sound economic responsibility system and raising the level of management.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' DISCUSSES CAPITAL ASSETS RENEWAL

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[Article by Tai Yuanchen [2071 0955 2525]: "Problems on the Renewal of Capital Assets"]

[Text] Our Country Has Entered Into a State of Renewal of Capital Assets; Large Amounts of Capital Assets Await Renewal

A big and important lesson requiring study in economic theory and practice is the renewal cycle of capital assets. In the past, people believed that a special phenomenon of capitalist economy was the economic growth cycle formed by the cycle of renewal of capital assets. This phenomenon occurs not only because the replacement and renewal of capital assets, which are cyclical in nature and may lead to overproduction and to periodic economic crises, neither of which capitalist economy can avoid, but also because a periodic economic crisis is usually the start of a large-scale renewal of equipment which in turn brings about an economic recovery. Under a socialist economy, there is no possibility of a marketing crisis caused by overproduction and it is always possible to make planned arrangements for the renewal of capital assets. This is how a socialist economy basically differs from a capitalist economy. But because of the time lag between the compensation for value transfer and the actual material replacement of the capital assets, frequently in certain years only few capital assets need to be renewed whereas in other years a large amount of capital assets needs to be renewed. In this way, the occasional need for material replacement of capital assets cannot be avoided. If this special feature is not taken into account and the planned arrangements are not well carried out, then due to the periodic nature of the renewal of capital assets, violent fluctuations in the development of the economy may occur.

Our country has now entered into the stage of renewal of capital assets and a large amount of capital assets needs to be renewed. This is seen in the following: Of the old enterprises left over from old China, in some cases the buildings are in dangerous condition, and may even collapse, whereas in other cases, the equipment is antiquated but over-aged machines, equipment, boilers, motor vehicles and locomotives are still in use. Of the backbone enterprises built during the periods of the first 5-year plan and the second 5-year plan, the capital assets have been

in use for over 20 years, the precision rate of the equipment has been sharply reduced, maintenance costs have increased, and the number of rejects and substandard products has greatly increased. Many of the enterprises built in the middle and late 1960's were built in a hasty fashion and then put into operation. The cost of production of their products is high and generally they have a very low efficiency rating. They badly need to be renewed and restructured. Twenty years ago when the problem of reproduction of capital assets was discussed, the great majority of the backbone enterprises of the economy had just been built. At the time the main problem was how to deal with the problems left over from the 3 years of the "Great Leap Forward," when both equipment and materials were squandered and subjected to great strain. Today, the renewal period is at hand and the big problem before us is how to attend to the periodic renewal and replacement of the capital assets and how to handle the technical rebuilding of the national economy. The change of conditions and in the points of contradiction that have occurred over the past 20 years should not be regarded lightly.

Of all the industrial and communications enterprises in our country, roughly 42 percent have been in service for over 15 years, about 33 percent for over 20 years, 14 percent for over 25 years, and those which were in existence before liberation, 7 percent. Units located in the old industrial base areas, units belonging to the old trades, and old enterprises which have made a relatively good showing in production control technical strength and mutual coordination and which have low production costs and have reaped fairly good economic results are all facing the dire problem of antiquated equipment, out-of-date production techniques and a steadily declining competitive capacity and economic effect. What is sorely needed is the renewal and restructuring of their capital assets. Shanghai is the oldest industrial base of our country. It has a most notorious problem of its equipment being extremely antiquated. For example, 72 percent of the equipment in its paper mills were built before the 1950's; 31 percent of its stamping machines were manufactured in the 1930's; the great majority of its cigarette-making machines were made in Britain in the 1920's and 1930's; and the great majority of the equipment of its match-making plants were made in Sweden in the 1930's. Of the current equipment of the Shanghai Bureau of Handicraft Industry, over 50 percent are from the period of the 1930's or 1940's while only 9 percent were made after the 1960's. The food-processing industry is one of Shanghai's old industrial trades. The bottling equipment of its beer and aerated water factories is circa 1920. Some of the biscuit-making machines made in the 1930's are still in use after 50 to 60 years' service. For a prolonged period, the 354 sets of vertical cutting lathes at Shanghai's wristwatch plants have been in use 3 shifts a day. At this rate, their life expectancy in terms of years has already been exceeded by 200 percent. As a result, they are in a more or less damaged state, their precision rate has declined, and the number of rejects of their products has greatly increased. The 13 backbone machine tools plants in Shanghai own some 8,780 sets of machine tools, of which 34.5 percent are unstable in quality and have lost their



precision. In other old industrial base areas such as Anshan, Tianjin and Qingdao, more or less the same conditions are found as those in Shanghai. In fact, the number of dangerous buildings of old plants in the old industrial base areas has been steadily increasing. In Shanghai the size of such dangerous buildings is estimated at over 1.4 million square meters and each year only slightly over 100,000 square meters are rebuilt. In the industrial and communications systems of Qingdao, dangerous buildings make up some 28 percent of the total area of the buildings. Such a state of affairs has extremely dangerous effects on the labor safety of the workers and the normal progress of production.

Old and antiquated equipment in industrial and communications enterprises are responsible for a low work efficiency rate and a high consumption of energy. For example, the medium- and low-pressure power generating sets and small-generating sets currently in use in our electric power industry consume, on the average, 40-100 percent more coal than the high efficiency power generating units. The country's industry at present has 200,000 sets of boilers, with an aggregate capacity of 300,000 tons of steam. Coal consumption is 200 million tons a year. Average heating efficiency is not too high already, that is to say, 55 to 60 percent, but there are still in use some 60,000 sets of boilers with a generating capacity of 30,000 tons of steam, which has a heating efficiency rate of less than 40 percent. A large number of old electric motors, old electric fans, water pumps, air compressors, and so forth all need to be replaced or renewed. The price paid for their extra consumption of electric power and heat energy every year should be sufficient to pay for the purchase of new equipment as replacements. In this way the large quantity of old and antiquated equipment still in use has brought in its wake a deteriorating technological state, poor product quality, a low efficiency rate and a continuous rise in production costs.

Innumerable facts have shown that the use of old and antiquated equipment wastes energy and aggravates the tense situation in the supply of electric power, coal and oil. It increases the consumption of raw materials and makes even more outstanding the problem of their insufficient supply. It speeds up the ageing of the production techniques, renders the products old-fashioned and incapable of being improved, and, in short, raises the cost of production, reduces the power of competition, and generally lowers production efficiency. What is more serious is that some enterprises are brought to the verge of suspending production and of being incapable even of maintaining simple reproduction. Hence, if capital assets already due for renewal are not renewed on time, then a number of problems will ensue, the rate of increase in production will be lowered and the economic benefits will be generally reduced.

#### Shortage of Renewal Funds and Urgent Need for Revision of the Depreciation Rate and Reappraisal of Asset Valuation

Despite the capital assets of our country having already entered into the period for renewal, the topic of the renewal of capital assets has not yet

attracted much attention, actual renewal work has progressed slowly and the funds for renewal are seriously insufficient. At the end of 1980, the gross value of the capital assets of our state-operated industrial and communications enterprises was about 450 billion yuan, of which about 50 percent of the equipment and a portion of the buildings were in bad need of renewal. Unfortunately, the amount of funds available for renewal and rebuilding is limited. On the basis of the amount of yearly depreciation funds set aside at present, it will take about 10 years to complete the renewal of the capital assets which need to be renewed right now. However, by that time, the capital assets that went into operation in the 1970's will be due for renewal and a new renewal period will have arrived.

The sources of funds for the renewal of capital assets should naturally be derived from the depreciation funds. At present, the depreciation rate tends to be on the low side and therefore insufficient funds have been set aside for depreciation. This indeed is a problem that needs urgent attention. The reason why the depreciation rate has been set on the low side is, theoretically speaking, due to the rejection of the theory of the existence of invisible losses. Actually, Marx once said: "In the case of machines, aside from visible depreciation, there is also the so-called invisible depreciation. Thus if a machine of the same structure can be reproduced at a cheaper price, or in the event that some better machines are in competition with the existing machines, the exchange value of the existing machines will suffer a loss."\* But people thought that Marx was at the time referring to the capitalist economy. They seemed to think that under a socialist economy there was no real significance of taking into account or computing so-called invisible loss. They reasoned that since under a socialist economy the means of production in circulation within state-operated economic departments could not be considered as commodities, the means of production possessed were in reality only the outer crust of commodities and value, and the state planned and arranged for all the capital investments and their renewal. Whatever the vicissitudes, the state would take the final reckoning and the interests of the enterprises were neither concerned nor affected, nor was there competition between the enterprises. Hence, there was no point in talking about the invisible losses. However, in theory at present, it has been acknowledged that the means of production in circulation between the state-operated departments are in fact commodities, that they must be handled strictly in accordance with accounting procedure and that they should not be allowed "to melt away like meat in a pot of boiling broth." The present trend of development of the world economy and the speed of technological progress simply do not allow us to live like hermits and be content with our backward technology. Turning to the value changes in the capital assets on account of loss and depreciation we should not confine ourselves to their physical depreciation or depletion. Rather, we should take note of the invisible losses, and

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\*Marx: "Das Kapital," Vol. 1, People's Publishing House, 1975 Edition, p 443.

do our utmost to reduce the economic losses and the impediments to technological progress and to a rise in competitive capacity due to our neglect to taking invisible losses into account.

Because of the above, we must differ from those who contend that since the actual period for the replacement and renewal of capital assets in our country has been in excess of 20-30 years, the present practice of fixing the durability period of equipment at some 20 years is not too long and therefore the depreciation rate is not too low. It is true that in actual practice, even though the depreciation rate has been raised, equipment renewal does not take place ahead of schedule but still has to wait until the expiration of the durability period when there has been a full depreciation of the equipment. However, this practice has been followed because of the long list of overdue renewals and should not be taken as a normal phenomenon. It may be admitted that on an overall basis the current depreciation rate for capital assets is only around 4-5 percent and the durability period is set at over 20 years. The rate is thus too low. Raising the depreciation rate is not only a necessary accounting procedure but will also help to wipe out past overdue accounts in equipment renewal.

Naturally we should start from reality when readjusting the depreciation rate. The suggestion to adopt a high depreciation rate and thus achieve the objective of replacing the equipment in 5 or 7 years is also impractical. Our technological level has not yet advanced to such a level, and besides, our national conditions currently demand that we must make the utmost use of our already existing productive force. Readjustment of the depreciation rate should not be divorced from our country's reality. It must take into account feasibility regarding the country's financial resources. It should likewise take into account the task of compensating depreciated productive power and the state's task of making the necessary accumulations. Therefore, it should be raised gradually. Making too high a readjustment and effecting changes that are too violent will not only adversely affect tapping the potentials of our own productive forces but will also seriously affect state revenues.

The various kinds of capital assets such as buildings, general equipment and specialized equipment differ vastly from each other in the length of their natural durability. The extent of the invisible loss or depletion which they incur on account of progress in science and technology also differs. Hence, it is extremely irrational not to make any differentiation but to fix an overall depreciation rate applicable to an entire trade or even to a single plant. In revising the depreciation rate, it is necessary to make a scientific classification of the various categories of capital assets and formulate for them different durability standards and different depreciation rates. We should not in confusion mix plant buildings, machinery and equipment together under one overall depreciation rate and note no differences between them. In making a classification of depreciation rates, the rate for machinery and equipment should be fixed higher than that for plant buildings, specialized equipment should be higher than that for

general equipment and equipment that can be easily corroded by acids, alkalis and steam should even be higher. This will ensure specialized treatment, bring out the different and special features in the steps of modernizing and technically rebuilding the capital assets, and make the depreciation rates conform to reality.

It must also be pointed out that currently many enterprises do not have a true valuation of their capital assets. Their valuation is often times at great variance with the replacement value. This has arisen out of the following causes: Some of the old enterprises left over from old China used the remnant value as the original value and thus marked down the original value of the capital assets. Over many years, management of the enterprises has been in a confused state; some enterprises in confusion entered the expenses incurred in procuring additional fixed assets into the cost of production, and in this way a portion of the machines and equipment was not entered into the books as capital assets. Some enterprises kept incomplete, or no, records of the inward and outward movements of their capital assets. In some cases, the assets were there but there were no accounting records for them while in other cases there were records but no assets. In this way, the account books do not conform to reality. Moreover, in recent years, due to rising construction costs, the replacement cost of capital assets is much higher now than in the 1950's and the 1960's. Hence, like census taking, we should carry out a nationwide revaluation of the capital assets. We must check the accounting records with the actual situation. Capital assets not shown in the account books should be entered into the books. The original value of the capital assets should be readjusted on the basis of the replacement price. We should make an estimate of the actual production capacity and find out exactly how many more years the capital assets can remain in use. This will enable us to have a correct assessment of the situation and provide a reliable basis for accounting and policymaking. In addition, it will make the setting aside of depreciation funds more reasonable.

Use of Depreciation Funds as Accumulation Funds Should be Conditional;  
Under Current Conditions Their Continued Use as Such Should Not Be Permitted

Currently, there is a situation of a large quantity of capital assets having to be renewed but the renewal funds being seriously insufficient. This situation has much to do with the use and management of depreciation funds. This is because although the depreciation rate has been on the low side, the passage of over 20 years should make it still possible to effect the material replacement of the assets. But now, after the assets have been in use for over 20 to 30 years, the depreciation on paper of the machines has already been completed and has even, in some cases been exceeded and the money for renewal and replacement is lacking. From this, it can be seen that the problem lies in a large proportion of the depreciation funds set aside through the years having been used as capital construction investment in new projects and on enlargement of existing projects. In other words, funds for compensation or replacement purposes have been

used as ordinary accumulation funds. If such a situation persists, then even raising the depreciation rate cannot solve the problem and it will be difficult to realize the urgently needed renewal and replacement of a large quantity of capital assets.

At this point, a problem which needs to be studied is that of depreciation funds not having been used for the renewal of capital assets--could this be due to the centralized management of the depreciation funds? Concerning this problem, many comrades in theoretical circles have contended that many of the evils and malpractices in the use of the depreciation funds are due to the centralized control of these funds and that the problem can be automatically solved if they are dispersed among the enterprises themselves, for them to make their own arrangements. In reality, this is not exactly correct. Over the past 30 years since the founding of the PRC, management of depreciation funds has gone through three separate stages. Before the year 1967, centralized management was in practice and the entire depreciation fund had to be remitted to the state for the purpose of unified arrangements. After 1967, a diversified management system was in practice. The depreciation funds remained in the hands of the enterprises and were subject to their own individual arrangements. From 1978, the system of proportional management, whereby 50 percent was retained by the enterprises, 30 percent was remitted to the state and 20 percent remitted to the localities was impractical. As for the coal, petroleum, forestry and animal husbandry industries and trades, county-run enterprises and those enterprises each with capital assets of less than 1 million yuan in original value, the enterprises were permitted to retain the entire depreciation fund. In this way, through these three periods, three measures were in practice at one time or another.

The phenomenon of the use of depreciation funds in capital construction investments such as new building projects or the enlargement of existing projects is attributable to the centralized management by the state of the depreciation funds. But this is a matter of economic development strategy and is related to the viewpoint of the relative importance of renewal and replacement. In the 3 years of the "Great Leap Forward," due to the tremendous work load on the machines and equipment and the enormous consumption and waste of materials, even simple reproduction was adversely affected. By the 1960's, attention was turned to the renewal of equipment. For certain selected commodities, such as locomotives, motor vehicles, boilers and diesel engines, special funds were earmarked for their renewal, overhauling and "mending of past negligences." In the case of mines, oilfields and forestry, levies were made on the basis of their output quantity and cost of production to provide funds for the purpose of maintaining simple reproduction. All this helped to improve the situation.

If the depreciation funds are retained by the enterprises themselves and subject to their own separate management, does it turn out that the renewals are all promptly made on schedule? The answer is that this is not necessarily the case. In fact, when the funds are managed by the enterprises

themselves, by far the largest portion is bundled together with the general capital construction investment funds, funds for renovation, for reform and tapping of the potentials, and bank loans to be used on the plants' expanded reproduction by extension, while the renewal of equipment is simply left aside. Over a period of nearly 15 years since 1967, the amount of depreciation funds retained by the enterprises plus their own production development funds have amounted to roughly 200 billion yuan. This is indeed not a small figure. But only a limited amount has been spent on renewal of equipment and capital assets have hardly received the benefit of a timely renewal. Of course, there have been exceptions and some enterprises, after taking over the control of their depreciation funds, have strictly followed the scheduled renewal of their equipment, although from the macro-economic viewpoint there is not sufficient evidence to prove that the diversified management of depreciation funds is superior to centralized management. Both do occasionally show concern for the renewal of equipment but both do show signs of treating the matter lightly. This is because the system of centralized control or diversified control is closely connected with the economic control system as a whole and is not directly related to whether or not the capital assets are renewed on schedule.

This brings us to another question, namely: Should depreciation funds be used as accumulation funds? Within theoretical circles, many comrades contend that they should definitely not be so used and believe that it is a malpractice to use depreciation funds on new building or extensions of projects. While this view is tenable under present day conditions, it is neither entirely correct in theory nor if we make an analysis of the different stages over the past 30 years.

As we all know, capital assets are different from circulating funds. The value compensation of circulating funds and the material compensation of consumed raw materials are united together. This is not so in the case of capital assets. While the value transfer of capital assets is continuously realized through the sale of the commodities, what constitutes their value compensation takes the form of depreciation funds in deposit, the material replacement of the capital assets will not take place for a considerable period of time. During the period when such replacement is still not needed, what use should be made of the depreciation funds which serve as the compensation value for the capital assets? Marx pointed out: "Depreciation funds, that is, funds for compensating the depletion of capital assets, are at the same time accumulation funds."\*

According to this, depreciation funds, aside from being used as compensation funds for capital assets, can also be used as accumulation funds. In my opinion, the trouble we have had with investments in capital assets does not lie in the use of "depreciation funds" as accumulation funds, nor, and

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\*Marx: "On Theory of Surplus Value," "Marx and Engels Collected Works," Vol. 26, pp 58-59.

indeed far less, should we come to the conclusion that depreciation funds should in no case be used as accumulation funds. I believe that the crux of the problem is that we must make clear under what conditions depreciation funds can be used as accumulation funds. When the prime concern of the national economy is with building new enterprises, or when the peak of the cycle for renewal of capital assets has passed and a handsome surplus is found in the depreciation funds following assurances that all currently needed renewals will be well taken care of, then the surplus portion can be utilized as accumulation funds. In such a case, use of the funds is in the nature of a loan. On the other hand, when a large amount of capital assets must be renewed, then the depreciation funds should not be used as accumulation funds and since, in the past, some of the depreciation funds were borrowed for use as accumulation funds, any gap now in depreciation funds for making the necessary material replacement should be filled by repayment from the accumulation funds. In fact, our present situation is exactly this. If the depreciation funds should continue to be used on new building and expanded construction, or on current production measures outside equipment renewal, or are "bundled" together with the plants' outlay for expanded reproduction by intension or by extension, then the outcome will be that the outstanding debt owed to renewal replacement will increasingly grow.

The above leads us to the third problem. This is a problem formerly neglected by people. It concerns the bank's regulation on the use of depreciation funds. As mentioned above, when there is a surplus of depreciation funds, the surplus may be loaned for use as accumulation funds. However, loans must be repaid. Over the past years, we have accumulated a debt of enormous proportions owed to the renewal and replacement account. The problem was that in making the capital asset investments such as new building and expanded building in the heavy industry sector and renewal and technical rebuilding in the light industry sector, funds were borrowed from the depreciation account but the loans were never repaid. As we see it now, in order better to solve this problem, aside from correctly formulating the strategy for economic development, regulation by banks in the control and management of the depreciation funds is indispensable.

The cycle for the value transfer of capital assets and that for their material replacement do not correspond with each other. It thus invariably happens that in certain years there is a bigger demand for renewals whereas in certain other years the demand is smaller. Moreover, old enterprises have a big demand for renewal of their equipment but have insufficient depreciation funds whereas new enterprises temporarily do not need renewal of their equipment and have a surplus of depreciation funds. Likewise, in the old industrial base areas, the renewal funds are insufficient while in the new industrial base areas, there is a surplus of funds. Hence, in the administration of the depreciation funds, there appears the problem of how to regulate their utilization. In the past, stress was laid only on the centralization and unification of these funds under the state and regulation by the banks was never resorted to. This was indeed a mistake.



If regulation by the banks is used as a support measure and the depreciation funds are made to serve as the source of loans, then in the event of the depreciation funds being insufficient, loans should be released only for the purposes of rebuilding of plant premises and renewal of their equipment but when there is a surplus of depreciation funds, they may be loaned out for purposes of capital construction or tapping the potentials and renovation. Loans when due must be repaid so that there are sufficient funds on hand to handle the peak of the renewal cycle when and as it arrives.

As for the diversified management of depreciation funds, since the individual enterprises are intimately concerned, the special feature of the time lag between the period of the value transfer of the capital assets and that of their physical or material replacement is all the more obvious. It is a frequent phenomenon that the depreciation funds of some enterprises show a surplus while those of other units are insufficient. This can be solved by resorting to regulation by banks as a supporting measure. At the same time, in allowing the enterprises to manage the depreciation funds, we must institute a definite economic responsibility system covering the management of the funds. The enterprises should be duty-bound to keep the capital assets in good condition and to use them well. If due to faults in management of the depreciation funds or to their improper use, the required funds are not available when renewal of the equipment falls due, they should be held economically responsible. What happened in the past was that we only talked about letting the enterprises control the depreciation funds but failed to touch upon the matter of economic responsibility. We failed to stipulate that special funds should be for special uses and should be deposited in special accounts. As a result, the funds were used at random and there was no guarantee for renewal or replacement. Only in altering this situation can the enterprises be truly made to give due regard and importance to the use of the funds and can the banks properly exercise their regulatory function.

#### Strengthening Macrocontrol and Carrying Out Renewal of Equipment in a Planned Manner

The present situation is: A large quantity of equipment needs to be renewed and many buildings must be rebuilt, but the funds for renewal and rebuilding appear to be seriously insufficient. Nevertheless, in reality, a large volume of funds for renewal purposes lies idle and cannot be expended. Facing such a strange contradiction, it may be thought that this proves that funds for renewal are plentiful and that the need for renewal is not so urgent. Such thinking should be blended as that of fantasy!

For a prolonged period, capital construction as a measure to increase capital assets and renewal of capital assets has been subjected to two separate methods of control and not subjected to overall arrangements. Renewal of capital assets is one phase of the work of tapping potentials, renovation and rebuilding. The method of control of funds and materials for tapping potentials, renovation and rebuilding evolved from the four methods of control of the four categories of expenditures in force in the



1950's. These four categories of expenditures were: Expenses for technical organization measures, expenses for trial production of new products, expenses for labor protection safety measures, and expenses for sundry purchases of capital assets. At the time, it was only the beginning of a period of large-scale economic construction and the amount of these four categories of expenses was very small. During the period of the first 5-year plan, they amounted to only 4 percent of capital construction investments. The topic of renewal of equipment had not yet been put on the daily agenda. Hence, there was reason for the differentiated treatment. But now all the funds for renewal and rebuilding and those for production development owned by the enterprises themselves are nearly equal to the amount of capital construction investments. At the same time, renewal of the capital assets is assuming a daily increasing importance. Hence, in the case of the addition and renewal of equipment, which are in the same nature as that of purchasing capital assets, to subject them to separate and different methods of control and treatment without making any overall arrangements or an overall balance naturally causes a series of problems.

One of the problems arising from a situation of there being an urgent need for renewal but the funds for renewal and rebuilding remaining idle and to being expended is: Since there are no overall arrangements for the new addition and renewal of capital assets, they have been subjected to different measures of control and cannot but take a lower standing than capital construction. Once capital construction projects have been sanctioned, all such follow-up jobs such as survey and planning, requisition of land and demolition of existing structures, if any, on the land site, supply of materials and equipment, provision of labor force, and so on, can generally follow and be solved in a definite and smooth manner. This is not the case in the renewal of capital assets. Thus, there are usually gaps in the supply of materials and equipment, the required labor force is usually not procurable, and there are many obstacles to land requisition or the dismantling of existing structures, if necessary, on the land site acquired. In many cases, the enterprises concerned have to seek help from everywhere. Frequently, one obstacle alone blocks the whole process. If this situation in the renewal of capital assets being half-heartedly planned or not planned at all is not changed. Then even though funds are available, the renewal work done cannot be good and it will be difficult to meet the demand for the renewal of a large amount of capital assets when the time for renewal cycle nears.

Then there is also a second problem. This is that the scale of the capital assets investments cannot be controlled and that the control over the direction of the use of the funds is frequently of a questionable nature. According to the state plan for 1980, the scale of capital construction was originally arranged at 42.3 billion yuan but the actual amount spent was 78.8 billion yuan. The 1981 state plan arranged the scale of capital construction at 30 billion yuan, but the actual amount of investments made was 62 billion yuan. In reality, capital construction investments and capital assets investments share the same concept, but not the control

over the source of funds and the planning procedure appear to be all half measures and the quarters concerned are allowed to fight it out among themselves. How can this be considered planning? If the general scale of capital construction investments cannot be kept under control, how can the readjustment of the national economy proceed smoothly? At the same time, if the overall scale is out of macrocontrol, naturally it is all the more difficult to prevent the random use of funds for renewal and rebuilding and of other funds, under various pretexts such as tapping the potentials, renovation or reform, to blindly undertake construction and duplicate construction. People may understand that blind construction and duplicate construction yield poor economic results, are wasteful and should be refrained from but because of the control of capital assets investments being divided and the inducement of power and gain, people can hardly desist from them. It is like a case of people turning a deaf ear to all earnest pleadings. In this way, the direction of the use of funds is out of macrocontrol.

It may also be pointed out that the geographical distribution of industries in our country is irrational in many respects. Take the case of Shanghai for example. Here, plant buildings and civilian dwellings are indiscriminately lumped together, whereas plants which are mutually related are widely separated from each other. Enterprises which can heavily pollute the environment or are noisy in operation are located in the midst of concentrated civilian dwelling districts. Factories turning out commodities which are in urgent market demand literally have their hands tied because of the small areas available to them. All this needs to be changed during the renewal and rebuilding. Yet when we look at Shanghai's overall situation, we may find that within the municipality area industrial development has reached the bursting point. An extremely tense situation is found in such areas as housing, location of stores, communications, and the supply of water and electric power. In fact, the masses of workers and employees are facing big problems in daily life including eating, clothing, housing and shopping. What should be done now is not to aggravate the situation but to ease it gradually. The development of such a situation in Shanghai has been due to the lack of comprehensive planning and an overall balance in such undertakings as tapping the potentials, renovation and rebuilding through the years. In undertaking rebuilding work from now on, the whole municipality should be put under overall planning and the work must proceed in a planned and gradual manner. At the same time, Shanghai is an important industrial base of the country. The direction of its industrial development, how to raise its technological level, and how to improve its products and turn out new products to replace the old ones should all be included in the national industrial program. In this way, any large-scale renewal of capital assets cannot take individual enterprises as units but should be subjected to overall planning, overall arrangements and an overall balance. But the present system of putting the capital asset investments under the two big management sectors, divided into one taking charge of new additions and the other, renewals, proceeds precisely in the opposite direction of the above thesis. The method of undertaking renewals and new building

akin to the fairy tale of the eight immortals crossing the sea with each separately demonstrating his or her wizardry may render the rebuilding work all the more irrational. This is the third problem resulting from the two separate methods of control.

It must also be pointed out that at present our country has entered into the cycle of large quantities of capital assets requiring replacement and renewal while at the same time the country is faced with the enormous task of readjusting the national economy. Combining renewal and readjustment can achieve full results by doing half the work. Attending to renewal without regard to readjustment necessarily involves immense efforts but little results. But how can we link the two closely together? In undertaking renewal and rebuilding, regardless of whether the objective is to rationalize the economic structure, the production structure or the product structure or to achieve the development of technical rebuilding with energy savings as the centre, there must be overall arrangements and an overall balance. If each unit or sector is left to do its own renewal and rebuilding without any overall arrangements then there is the likelihood that before the completion of the old readjustment tasks, new readjustment tasks will appear. This is the fourth problem arising from the two separate methods of control.

Precisely for the above reasons concerning the capital construction investments involving the addition of new capital assets and capital asset investments on renewal and rebuilding, the adoption of two separate methods of control should not be continued. Capital construction and renewal and rebuilding both belong to the category of capital asset investments. They differ from each other only in respect to the source of funds and the planning procedure. Hence, they should be subjected to overall arrangements and an overall balance. Only in doing so can macrocontrol be strengthened and the proper control and use of the entire capital asset investments be achieved.

Making so-called overall arrangements is not equivalent to treating all capital asset investments as capital construction investments and subjecting them to capital construction procedures. Rather, they must still be treated differently in accordance with the size of the projects and whether or not earth-moving work is involved. What is more, it is not equivalent to the abolition of control by grades or departments but the enthusiasm of the parties concerned must be aroused. What must be principally pointed out here is that concerning investments on newly added capital assets and on renewal of capital assets, one department alone should take charge, make overall planning and have control of the entire yearly program for capital asset investments. As for funds, materials and the labor force, an overall balance must be achieved and a clear and smooth passage through all the channels must be ensured. In this way, we can more effectively organize and realize, in a planned manner and step by step, the renewal of capital assets and at the same time improve the results in the utilization of funds for renewal and rebuilding.

The practical experiences in economic development of many countries have shown that the periodic renewal of capital assets precisely offers a good opportunity for technical rebuilding and that, provided correct guidelines and policies are adopted, their competitive power can be raised and economic development will follow. At present our country is in the stage of readjusting the national economy and carrying out a shift in the strategy of economic development and also is facing the periodic renewal of a large amount of capital assets. If we can do a good job in combining them together, and if in the course of the technical rebuilding of the national economy, which has the renewal of equipment as its principal component, bring about expanded reproduction by intension, then this would indeed be a strategic move which can perform an effective and good role in promoting economic readjustment and economic development.

At present, due to the reduction in capital construction investments, heavy industry production has become stagnant. However, since the need for replacing and renewing the capital assets is big and extremely urgent, once the topic of renewal is put on the agenda and due arrangements have been made, those departments which do not have sufficient tasks to perform now may well have too many tasks on hand. Heavy industry serves light industry and also serves the national economy. Once its various departments have been assigned definite tasks, they can motivate each other and the downturn in production can be changed into an upturn. Those already on the upturn can develop even more faster, and, literally speaking, one correct move on the chessboard may well enliven the entire economy.

But we must give ourselves a reminder. Over many years in the past, we have been too anxious for quick results in economic construction and have suffered much because of this. At the present time, a large amount of capital assets is urgently awaiting renewal. Concerning this we must have a deep sense of urgency but we should never retread the old steps of eagerly striving for quick results. In undertaking capital construction, we must "measure our strength" first. The same thing is true with the renewal and rebuilding of capital assets. This is to say: We must have a sense of urgency, undertake the tasks in a scientific manner and in this way practically and realistically perform a good job of renewing and rebuilding capital assets.

CSO: 4006/136

## ECONOMIC PLANNING

### QIANG XIAOCHU VIEWS REPORT ON SIXTH 5-YEAR PLAN

SK060534 Changchun Jilin Provincial Service in Mandarin 2200 GMT 5 Dec 82

[Text] According to XINHUA, over the past few days, the Jilin provincial delegation to the fifth session of the fifth NPC have examined and discussed in groups Premier Zhao Ziyang's report on the sixth 5-year plan. Deputies maintained that the sixth 5-year plan is one that conforms to the guidelines of the 12th party congress and China's practical situations, is one that effects steady progress in the course of readjustment, is one that further promotes our country's modernization drive and is one that continues to improve people's living conditions.

Deputy Qiang Xiaochu said: The 12th party congress has defined a fighting program for the whole party and all the people in the new historical stage and has shown us a magnificent blueprint for creating a new situation in all fields of socialist modernization. Premier Zhao Ziyang's report on the sixth 5-year plan made at the NPC session is a very important, new step toward fulfilling the fighting program for this century. Premier Zhao Ziyang held: The key to quadrupling the annual gross industrial and agricultural output value by the end of this century lies in the first 10 years. And the success or failure in the first 10 years hinges on the first 5 years. Therefore, success in fulfilling or overfulfilling the sixth 5-year plan would lay a solid foundation and make a good start toward quadrupling the industrial and agricultural output value and toward making the people comparatively well-off. We must fully understand the guidelines of the report and make efforts to implement them in line with the reality of our province.

Deputy Zhang Gensheng said: The sixth 5-year plan is not only positive but also reliable. Through hard work, it is completely possible for our province to attain the goal, which is called for by the sixth 5-year plan, of increasing the yearly industrial and agricultural output value at an average rate of 4 percent, or striving to increase it by 5 percent.

Deputy Wang Daren said: The death of Comrade Jiang Zhuying has given us a bitter lesson. That is, we must firmly and unswervingly implement the party's policy towards intellectuals. In particular, we should open two gates for young and middle-aged intellectuals and show concern for them in three ways. The opening of two gates means: Those intellectuals who

positively ask to join the party and who are really qualified for party membership should be admitted to the party in accordance with its constitution and should not be left outside the party's gate. We should also open the gate of leading bodies. Those young and middle-aged intellectuals who are qualified for cadres should be promoted to leading bodies at all levels.

The showing of concern in three ways means: First, we should show concern for them in the fields of professional promotion and work conditions so as to bring into play their specialities. At the same time, we should take an active interest in their growth. Second, we should show concern for their livelihood. As for the problems of livelihood that should be and can be solved, we should vigorously create conditions and try every means to solve them. Third, we should show concern for their health and gradually establish and perfect a necessary system on health care and holidays.

CSO: 4006/137

## ECONOMIC PLANNING

### TIANJIN RADIO COMMENTS ON INDUSTRIAL PRODUCTION

SK050725 Tianjin City Service in Mandarin 0030 GMT 5 Dec 82

[Station commentary: "Enhance Our Spirit, Overcome Difficulties and Strive to Fulfill the 1982 Industrial Production Target"]

[Excerpts] This year Tianjin's industrial production has developed at a fair pace. By the end of November, Tianjin had fulfilled 90.8 percent of the annual industrial output value target, an increase of 6.7 percent over the corresponding 1981 period and an indication that the target is being fulfilled relatively well. As long as leaders at all levels and large numbers of workers and staff continue to work hard through to the end, it is completely possible that the annual plan will be fulfilled or overfulfilled increasing industrial production by 6 percent.

Since the beginning of this year, the general situation of Tianjin's industrial production has been good. However, some new situations and problems have cropped up. First, rapid, unpredicted changes have taken place in markets. Some comrades ideologically fall short of the changes. In the past year, heavy industrial production dropped but light industrial production increased. Since the beginning of this year, especially since the second quarter, some changes have taken place in markets. Heavy industry has picked up at a relatively rapid pace, while light and textile industrial departments have slowed down their rate of increase.

Second, all industrial departments are groping in the work of management and supply not yet having formed a complete set of supply methods. They are inadequately staffed and unsatisfactorily organized.

Third, some enterprises have no good emergency measures, trial produce only a few new varieties and designs of products and put their products on the market long after production. As living conditions of urban and rural people steadily improve, industrial products cannot meet the many-sided demands of markets.

Fourth, economic results have not been raised remarkably. Compared with production, the increase of economic results is not ideal.

In light of these problems, principle leading comrades of the municipal CPC Committee and the municipal people's government have strengthened their leadership over production since the second half of this year. Since the municipal cadres' meeting on 27 July, leading comrades have concentrated their efforts on helping industrial enterprises solve many practical problems of supply, production and marketing. In particular, since the convocation of the 12th party congress, leading personnel at all levels and large numbers of workers and staff at industrial departments have made efforts to study and implement the guidelines of the 12th party congress, thus greatly promoting industrial production.

The present industrial production situation is good, however, some problems still remain. We must continue to work hard. Right now, fulfillment of the annual target is not quite assured. We cannot sit back and relax. We should see that there is a possibility of failure in fulfilling the annual target if we relax our efforts. Therefore, leaders at all levels of industrial and non-industrial departments should strengthen their leadership over production, go down to the forefront of production to learn about the situation, intensify their overall awareness, make concerted efforts to increase production and make more contributions to fulfilling the annual target.

CSO: 4006/137



## AGGREGATE ECONOMIC DATA

### GUANGDONG'S YANG DEYUAN ON ECONOMIC GOALS

HK020843 Beijing ZHONGGUO XINWEN SHE in Chinese 0803 GMT 1 Dec 82

[ZHONGGUO XINWEN SHE headline: "Yang Deyuan Talks About Guangdong's Tasks in the Sixth 5-Year Plan"]

[Text] Beijing, 1 December (ZHONGGUO XINWEN SHE)--Vice Governor Yang Deyuan today told our reporters that the people of Guangdong have much confidence in successfully accomplishing the sixth 5-year plan from 1981-85.

He said: In the period of the "sixth 5-year plan," it is expected that the country's gross value of industrial and agricultural production will increase by 21.7 percent, with an average annual increase of 4 percent. As a province in which special policies are carried out, Guangdong should of course develop faster. It is possible for Guangdong to achieve an annual increase of 5 to 6 percent because in the past few years, the speed was even greater than this.

He said: In order to meet the demand of quadrupling the gross annual value of industrial and agricultural production at the end of this century, it is necessary for Guangdong to increase its gross annual value of industrial and agricultural production by 7.2 percent every year. From 1979 to 1981, there was an average annual increase of 8 percent. It is estimated that there will be an increase of 7.8 percent in 1982 over 1981. The development of Guangdong's national economy shows that it is possible to maintain this tendency of increase.

Yang Deyuan held that Guangdong's economy can grow more quickly because in readjusting the national economy the reliance on policies and science is emphasized. In other words, we practice the open-door policy and the policy of revitalizing the domestic economy. In agriculture, the production responsibility system and diversification are practiced. In industry, the proportionate relationship is readjusted, autonomy of the enterprises expanded, technical transformation vigorously grasped and economic results arduously promoted. The power of these policies has yet to be maintained. As for the reliance on science, we have only just started; there is great potential in this aspect.

He said: In the following years, Guangdong should fully exploit its superiority in rich agricultural resources, reclaim and exploit more than 80 million mu of barren hills and hillside land, more than 7 million mu of fresh water breeding areas and more than 1.75 million mu of shallow beaches and transform more than 10 million mu of medium and low yielding fields. In this way, we can greatly increase the production of grain, oil, aquatic products and livestock and stimulate the development of industry and industrial sideline production.

He said: In the field of industry, we must promote superiority in two aspects and strengthen one weak link.

The first superior aspect is that the foundation of Guangdong's light industry is quite good. In the period of the "sixth 5-year plan," it is necessary to seriously carry out technical transformation in the old enterprises, vigorously develop the light and textile industries and develop new industries. Another superior aspect is the state's emphasis on exploiting the South China Sea oilfield. This will certainly stimulate the development of the petrochemical industry and the enterprises which provide services for the oil bases. In addition, it helps solve Guangdong's energy difficulties.

Energy resources and communication are Guangdong's weakest links. In addition to saving energy, it is necessary to actively develop hydro-electric power, establish nuclear power plants, support the coal industry and exploit the oil shales. It is necessary to quicken the pace of the construction of the multiple track project of the south section of the Beijing-Guangzhou railway and the construction of the Sanshui-Yaogu section of the Sanshui-Maoming railway and to transform the Guangzhou-Shenzhen highway and the Guangzhou-Zhuhai highway.

Education and science are two of the strategic emphases of economic construction. It is necessary to quicken the pace of developing education, train qualified scientists and technicians, make a success of scientific research and popularize the results of scientific research so as to make them genuine productive forces.

Vice Governor Yang Deyuan said: To accomplish the magnificent goal of the "sixth 5-year plan" and the goal for the year 2000, the key is Guangdong's 59 million people's efforts to heighten their fighting spirit and to be united in their struggles. In addition, he expressed that he believes the overseas Chinese whose native place is Guangdong and the several millions of compatriots in Hong Kong and Macao will make contributions to Guangdong's construction of the four modernizations.

CSO: 4006/137

## ECONOMIC MANAGEMENT

### MANAGEMENT ENCYCLOPEDIA TO BE PUBLISHED

OW052203 Beijing XINHUA Domestic Service in Chinese 0155 GMT 28 Nov 82

[Text] Beijing, 28 Nov (XINHUA)--The propaganda department of the CPC Central Committee and the State Economic Commission have decided to edit and publish the "Encyclopedia on Enterprise Management of China." The editorial committee will be headed by Yuan Baohua as chairman, Deng Liqun as advisor and Ye Lin, Ma Hong, Fang Weizhong, Hua Luogeng and Chen Yu as vice chairmen.

The publication of this encyclopedia, an important project in promoting enterprise management, will play valuable roles in strengthening and improving enterprise management, in improving economic efficiency and in promoting the four modernizations. The encyclopedia will serve as a comparatively comprehensive and suitable reference book to cadres engaged in enterprise management as well as to teaching and research personnel because in this book, the historical changes and developments of enterprise management in China will be systematically arranged, the experiences of enterprise management in our country will be summarized and theories, knowledge and methods concerning enterprise management of foreign countries will be introduced.

On the basis of investigations and studies conducted, the State Economic Commission and the Chinese Association of Enterprise Management separately held two meetings in Beijing and in Tianjin in August and September this year to work out plans for editorial work, to gradually improve plans for collecting entries (drafts for soliciting opinions) and to decide on inviting noted professors and experts to act as chairmen of various sub-committees.

The editorial work will be carried out by coordination among the four departments; various institutes of higher learning, scientific research units, departments engaged in professional work and various enterprises. The drafts of the "encyclopedia" will be written during this winter and next spring, the editorial work for the "encyclopedia" will be started next spring or autumn and the specimen books are expected to be printed in the spring of 1984.

CSO: 4006/137

## ECONOMIC MANAGEMENT

### BRIEFS

ZHEJIANG OVERHAULS FINANCIAL, TRADE ENTERPRISES--Zhejiang Province has begun in an all-around way the experiment on overhauling selected financial and trade enterprises. The first group of enterprises selected for the experiment this winter and next spring include 205 units of commerce, industry, communications, food grain, foreign trade, banking and credit cooperatives. The party and government organizations in all localities in the province attach great importance to the experiment on overhauling selected financial and trade enterprises. The leading cadres at all levels have strengthened their leadership ideologically and organizationally. Many municipalities and counties have set up leading groups for overhauling financial and trade enterprises. Serious arrangements have been made by Ningbo, Shaoxing and Taizhou prefectures and Hangzhou and Ningbo municipalities. Various prefectures, municipalities and counties have dispatched 192 investigation groups for overhauling financial and trade enterprises. The investigation groups, led by responsible comrades, stay and work at selected enterprises. They are composed of 1,067 persons. The overhaul is designed to enhance the economic results and improve the service of the selected enterprises so that they become socialist enterprises that keep to correct operational orientation, offer good service, yield good economic results and are scientifically managed. [Text] [OW160610 Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 15 Nov 82]

CSO: 4006/131

## FINANCE AND BANKING

### SAVINGS DEPOSITS INCREASE IN BEIJING MUNICIPALITY

Beijing BEIJING RIBAO in Chinese 21 Aug 82 p 1

[Article by Ma Wenqi [7803 2429 0796]: "Savings Deposits in Cities and Towns of Beijing Municipality in the Last 3 Years Exceeded Those in the First 30 Years After the Founding of the People's Republic"]

[Text] Since the Third Plenary Session of the Party's 11th National Congress, savings deposits in the cities and towns of our municipality have increased on a large scale. In the 3 years and 7 months from 1979 to the end of July 1982, the savings deposits in the cities and towns of our municipality increased by 903 million yuan. This was more than twice the increase during the 30 years from 1949 to 1978. From January to July of this year, savings deposits increased by 240 million yuan, 29 percent higher than the corresponding period in 1981, and established a record high for the period. By the end of July, total savings deposits in the cities and towns of the municipality had reached 1.81 billion yuan. Based on the population of the municipality, this was an average per capita deposit of 340 yuan, which was 4 times the amount in 1965 and an increase of 55 percent over 1978.

Deposits on a seasonal basis have increased steadily. Because of the withdrawal of funds by the Mutual Assistance Savings Association, deposits in the fourth quarter decreased. However, in the last 3 years, changes in savings deposits were most concentrated in the first quarter and this has been the quarter with the largest increase during the year. Deposits during the second and third quarters have continued their steady increases although at higher rates. Deposits in the fourth quarter have reversed the previous downward trend and have been increasing. As a result, they have changed from the original trend of increases fluctuating higher and lower to increases that have risen year after year. The second is that new depositors have increased greatly. In the last 3 years, depositors have increased by 2.94 million, equal to the total increase in the municipality during the 30 years from 1949 to 1978. The third is that the ratio of long term deposits have been increasing each year. As of the end of July of this year, the ratio of fixed time deposits to total deposits had reached 81.5 percent.

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CSO: 4006/81

NEI MONGGOL COMMENTARY ON FINANCIAL WORK

SK151107 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 14 Nov 82

[Short station commentary: "Make Persistent Efforts to Achieve Success in Financial Work"]

[Text] Since the beginning of 1982, a heartening situation has emerged in the region's revenue. By the end of October, the region had fulfilled the annual revenue budget by 97 percent, up 8 percent over the corresponding 1981 period. Meanwhile, three leagues and 30 banners, counties, cities and districts had overfulfilled their annual revenue targets ahead of schedule. This is a result of the penetrating implementation of the principle of readjusting the national economy and concentrating efforts on increasing revenue and curtailing expenditures. However, we should not be content with the present achievements and should continue to grasp revenue work.

The key to solving financial problems lies in developing production. Financial departments at all levels should intensify the idea of supporting agriculture and animal husbandry. [Words indistinct] should firmly support the diversified economy which has already been developed and is springing up, promote the overall development of agriculture, forestry, animal husbandry, sideline production and fishery and bring about a prosperous economy in rural and pastoral areas so as to tap new financial resources.

In the field of industrial production, we should promote the production of goods in short supply and light and textile products which are readily marketable, with stress on increasing economic results. We should also conduct reorganization and integration among enterprises, help develop new products, increase varieties and designs of products, improve product quality and reduce stockpiling and waste in the fields of production and circulation so as to increase production and income. While broadening sources of income, great attention should be paid to reducing expenditures. Now the phenomenon of loss and waste exists in various spheres. At present, we should integrate the activity of dealing blows at serious economic crimes with the general inspection of enterprises. We should promptly return to the state what we have unlawfully taken or pay compensation for it, and hand over to the state income that is owed or gained from tax evasion. We should also establish and amplify financial regulations and rules, strengthen financial supervision, rigorously enforce financial discipline and put an end once and for all to financial waste. So long as we conscientiously study the guidelines and documents of the 12th Party Congress and implement various measures for increasing income and reducing expenditures, the region will completely achieve a financial balance with an additional surplus.

## FINANCE AND BANKING

### NEI MONGGOL COMMENDS ADVANCED FINANCIAL UNITS

SK150517 Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 14 Nov 82

[Text] The autonomous regional people's government issued a circular on 12 November to commend Ih Ju, Alxa and Bayanur Leagues that had prefulfilled or overfulfilled their 1982 revenue plan.

The circular noted: Inspired by the 12th CPC Congress guidelines, localities throughout the region have vigorously grasped the work to increase revenues and curtail expenditures. Ih Ju and Alxa Leagues have taken the lead in the work. They have prefulfilled their annual revenue plan by 3 months. Ih Ju League has overfulfilled its annual revenue plan by 9.2 percent and Alxa League, by 8 percent. By the end of October, Bayanur League overfulfilled its annual revenue plan by 5.8 percent. Meanwhile, there are 30 banners, counties, cities and districts across the region that have prefulfilled or overfulfilled their annual revenue plan.

The autonomous regional people's government extended warm congratulations on the achievement scored by these leagues, municipalities, banners and counties in this regard and notified all localities in the region to hail their remarkable success. The regional people's government also urged these advanced localities to make sustained and further efforts to grasp the work to increase output and practice economy well and to pay more taxes in order to increase revenues, as well as to strive to gain more extra revenues. Localities that lag behind in this regard should consider the study and implementation of the 12th CPC Congress guidelines as motive forces to heighten their spirit, to redouble their efforts, to try hard to catch up with the advanced and to vigorously fulfill or overfulfill their annual revenue plan so as to make contributions to creating a new situation in the region in all fields of socialist modernization.

CSO: 4006/131

## FINANCE AND BANKING

### BRIEFS

GUANGDONG ENTERPRISE CAPITAL--According to statistics from the provincial finance department, during the 3 years from 1979 to 1981, state-owned enterprises in the province accumulated a total of 1.72 billion yuan in capital. Their capital was thus 1.11 billion yuan more than in 1978, the year before the expansion of financial decisionmaking powers. It is estimated that they will accumulate a further 600 million yuan this year. [HK181524 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 17 Nov 82]

CSO: 4006/132



## MINERAL RESOURCES

### 'XINHUA' REPORTS ON DEVELOPMENT OF QAIDAM BASIN

OW171401 Beijing XINHUA Domestic Service in Chinese 0248 GMT 17 Nov 82

[Newsletter by XINHUA reporters Ma Jiqi and Zhang Rongda: "It Is Gratifying to Visit Qaidam Today"]

[Excerpts] Xining, 17 Nov (XINHUA)--The Qaidam Basin, known as a "treasure bowl," is rich in mineral resources. In the past, it was a barren "uninhabited 800-li-wide desert." Today, it is a land in which petroleum, coal, machine-building, tanning and building material industries have been rapidly developed. From there, asbestos and borax are exported to foreign countries. There are railroads leading to the Kunlun Mountain area and highways leading to various parts of the country.

Of the 32 lakes in the basin, 24 are salt lakes with total salt deposit amounting to 60 billion tons. The salt is of good quality and is easy to extract. The Qarhan salt lake, with an area of 5,860 square meters, is a shining pearl in the Qaidam. In the lake, there are more than 40 billion tons of sodium chloride, some 1.6 billion tons of manganese chloride and 150 million tons of potassium chloride.

The Qaidam Basin has abundant petroleum resources and oil extracting prospects there are promising. In 1959, the Lenghu oilfield was built. The petroleum deposits prospected since the third plenary of the 11th CPC Central Committee are equal to the total deposits found in the previous 20 years. The 1981 crude oil output there increased by 47 percent as compared with 1976. At present, a new oilfield--the Duosikule oilfield--with a designed annual crude oil output capacity of 500,000 tons, is being developed. The construction of a refinery with designed capacity of 300,000 tons is being planned.

Since the late 1960's, the people in the Qaidam Basin have planted some 30,000 mu of windbreak forests, cultivated more than 4,000 mu of saplings and grown some 12 million trees.

CSO: 4006/132

## MINERAL RESOURCES

### COASTAL RESOURCES INVESTIGATION STARTS

OW240637 Beijing XINHUA Domestic Service in Chinese 0130 GMT 24 Nov 82

[Excerpts] Beijing, 24 Nov (XINHUA)--According to XINHUA reporter Chen Baolian, China's first large-scale and comprehensive investigation of the coastal belts and tidal land resources has started in the vast areas along the coasts of 10 provinces, municipalities and autonomous regions from the mouth of the Yalu River in the north to the mouth of the Peicang River in the south.

To date, the fast-moving Jiangsu Province has basically completed its investigation at sea and in the open country along the coastal regions and has begun compiling and analyzing data. Liaoning, Shandong, Zhejiang and Shanghai have also completed 1/3 to 1/2 their investigations. Guangdong Province, which has the longest coast line in the whole country, has completed its investigation in the section near the delta of the Peral River and is now starting investigation along the sector on the eastern coast of Guangdong.

Participating in the investigation are more than 30 departments and over 100 units from the central level to various coastal provinces, municipalities and autonomous regions and about 10,000 people, including scientists, engineers and technicians, cadres, fishermen and commanders and fighters of the PLA units stationed along the coast.

The result of the investigation in various localities showed that the coastal belts--special sections in our country at the juncture of land and sea--are rich in soil, living things and waterway transportation, light industrial, chemical, mineral and power resources, where tourism can also be developed. They are precious areas with potential for development. Many provinces, municipalities and autonomous regions have, on the basis of the investigation, forwarded proposals and plans for the development and utilization of the coastal belts and tidal land resources and for environmental protection and control of the coastal areas.

CSO: 4006/131

## MINERAL RESOURCES

### COAL MINISTER ON DEVELOPING COAL INDUSTRY

HK241324 Beijing JINGJI GUANLI in Chinese No 10, 15 Oct 82 p 3

[Article for "Write-In Forum on Studying 12th CPC Congress Documents" by Gao Yangwen, minister of coal industry: "Speed Up the Development of the Coal Industry, Ensure the Realization of the Grand Objective of Economic Construction"]

[Text] The 12th CPC National Congress has successfully concluded. With boundless joy and vigor and filled with confidence, the millions of staff and workers on the coal industry front are now embarking on their new march toward realizing the grand strategic objective formulated by the 12th Party Congress.

Energy constitutes a crucial problem in all modernization efforts. This is the case with all countries, but is particularly true in our country, since coal accounts for 70 percent of our energy resources. A growth in the coal industry is essential to realizing our grand objective.

According to estimations made by experts, we must increase our coal output from the present 600 million plus tons to over 1.2 billion tons in order to meet the needs arising from a quadrupled gross annual value of industrial and agricultural production by the end of this century. In order to fulfill this formidable task, we must emancipate our minds and adopt new approaches. We can no longer stick to conventional practices.

The basic requirements for any new approach are: It must lead to a fairly steady increase in coal output, fairly sound development, relative safety in production and construction, comparatively good economic results in enterprises, comparatively good energy-saving results in society, as well as comparatively good overall results in our country as a whole. In order to fulfill these basic requirements, we must effect the following six changes in our coal industry in the next decade or two:

1. Most of our country's key coal mines are now operated by hand. These should be changed into essentially machine-operated mines.
2. We must bring about a fundamental turn for the better in production safety in the coal mines, keep accidents and occupational diseases under control and protect productivity.

3. We must increase the variety of products instead of producing a single product (crude coal). At the same time, we must work toward gasification and liquefaction and raise the energy utilization rate.
4. We must change single-purpose undertakings into multipurpose undertakings and set up coal-chemical or coal-electricity complexes and other coal-related multipurpose undertakings to invigorate the coal industry.
5. We must work in coordination with the transport departments to improve haulage facilities. Small tonnage railway cars and small horsepower locomotives, which are principal means of haulage at present, should gradually give way to the use of big tonnage coal conveyance trains, tow lifts and automatic loading and unloading devices, supplemented by conduits.
6. We must change the practice of running coal mines purely by administrative means to one which combines administrative with economic means. We must formulate rational economic policies and institute systems of scientific administration and responsibility to stimulate the initiative of various localities and enterprises in taking up coal mining and arouse the enthusiasm of staff and workers in production.

The following are the principal measures we propose to take: Continue to carry out technical transformation of mines in a planned way and in selected spots and fully bring into play the role of existing coal-mining enterprises; aim at rational distribution, speed up coal exploitation, shorten construction time and make the most out of our investment; energetically develop local coal-mining industry; devote major efforts to develop coal washing, processing and multiple utilization; promote various forms of economic responsibility system and perfect them; boldly utilize foreign capital and go all out in tapping domestic funds; improve interunit undertakings between localities, departments and enterprises; adopt effective measures to strengthen the contingent of mineral workers; intensify the exploitation of intellectual resources; raise workers' scientific and cultural level and technical quality; and so on.

All staff and workers on the coal industry front must work with one heart and one mind, fight ceaselessly with a firm and indomitable spirit, overcome difficulties and open up new horizons to ensure the successful realization of the strategic objective formulated by the 12th Party Congress.

CSO: 4006/132

## MINERAL RESOURCES

### BRIEFS

HEILONGJIANG GRAPHITE RESERVES--On 20-24 October the Heilongjiang Administrative Commission for Mineral Reserves, the provincial Geological Bureau and the provincial Construction Materials Bureau held an on-the-spot meeting at the Liunao graphite mine to discuss ways to expand the mine. Liunao graphite mine, located in Jixi Municipality, has been exploited for 40 years. Mining and geological departments of the province have prospected the graphite mine and have finally verified that this mine has the largest reserves of graphite in China. [Harbin HEILONGJIANG RIBAO in Chinese 29 Oct 82 p 1]

HUNAN SODIUM FELDSPAR DEPOSIT--Changsha, 6 Nov (XINHUA)--Chinese geologists reported discovery of a large sodium feldspar deposit in the western Hengshan Mountain area in Hunan Province. Sodium feldspar is used as raw material for making glass and ceramics. Verified ore in the Shibeichong section is estimated at 10 million tons. The ore bed, the thickest of which is more than 60 meters, contains fine quality sodium feldspar, the geologists said. [Text] [Beijing XINHUA in English 0707 GMT 6 Nov 82]

CSO: 4020/27

## INDUSTRY

### YUNNAN ADJUSTS RATIO BETWEEN AGRICULTURE, INDUSTRIES

Kunming YUNNAN RIBAO in Chinese 18 Aug 82 p 1

[Article: "Yunnan Greatly Improves Ratio between Agriculture and Light and Heavy Industries"]

[Text] Through vigorous enforcement of the national economy readjustment policy since the Third Plenary Session of the 11th Party Central Committee, Yunnan has largely corrected the long-standing imbalance in the ratio of agricultural and light-heavy industrial production. While agricultural production is being fully developed, light industrial production continues to grow while heavy industrial production is making a recovery at a rapid pace. Through the adoption of a series of policies and measures, our province has in the last 3 years made good progress in readjusting the ratio between agricultural and light-heavy industrial production in five different areas.

First, speeding up the rate of development. In the past 3 years, especially during 1980 and 1981, the rate of increase in agricultural and light industrial production in our province was the highest since the liberation. In agricultural production, the rate of increase was 7.1 percent in 1980 and 8.3 percent in 1981 to chalk up the average rate of increase of 3.4 percent for the past 3 years. In light industrial production, the rate of increase rose from 9.4 percent in 1980 to 17.9 percent in 1981 to register an average annual increase of 11 percent for the same period. The rate of increase came to 18.1 percent for the first 7 months of this year. These rates of increase have surpassed by far the 1.9 percent average annual rate of increase in the heavy industries in the last 3 years.

Second, improvement in the ratio. The value of agricultural and light industrial production increased from 66.9 percent of the total industrial-agricultural output value in 1978 to 69.6 percent in 1981, while heavy industrial production dropped from 33.1 percent to 30.4 percent during the same period.

Third, readjustment of the structure of productive enterprises and their products. The last 3 years has witnessed a 6.1 percent increase in grain production and a 14.1 percent production increase in diversified operations. The ratio of the total value of agricultural products increased from 50.4 percent to 53 percent, that of the forestry, animal husbandry, subsidiary enterprises

and fisheries increased from 33.7 to 36.1 percent, while such products as oil, sugarcane, cured tobacco, tea and rubber also registered sizable increases. The ratio between light and heavy industries changed from 43 and 57 to 49 and 51 percent during that period. The increase is even larger in industrial products using subsidiary agricultural products as raw materials and in products which make use of raw materials of superior quality. The production of durable consumer goods has doubled.

Fourth, an increase in the supply of goods to markets in and out of the province. The last 3 years has witnessed a 38.6 percent increase in the volume of retail trade in commercial commodities. The ratio between the commercial commodities imported into and exported out of the province has changed from 2.7 to 1 to 2.1 to 1. There has been a steady annual increase in the supply of tobacco, sugar, tea, rubber products, nonferrous metals and phosphate products in the nation.

Fifth, impetus provided on a mutual basis by agriculture and the light and heavy industries and their development in a coordinated manner. The last 3 years has seen a 45.7 percent increase in the light industries using subsidiary agricultural products as raw materials. With the development of agriculture and the light industries, there has been an increase in the accumulation of funds. The average annual increase in revenues during the last 3 years came to 7.9 percent. Since June, 1981, the heavy industries have made a gradual comeback. There was a 12.8 percent increase for the first 7 months this year compared to the same period last year.

9621

CSO: 4006/073

## INDUSTRY

### HEILONGJIANG DEVELOPING DAIRY INDUSTRY VIGOROUSLY

Harbin HEILONGJIANG RIBAO in Chinese 14 Aug 82 p 1

[Article by Reporter Jin Gaojun [7246 0948 0689]: "Heilongjiang Develops Dairy Industry in Vigorous Manner"]

[Text] This year, the dairy industry in Heilongjiang, which leads all other provinces, has continued to be developed in a vigorous manner. Dairy production during the first 7 months of this year reached the highest record for the same period in history. The amount of production came to over 14,000 tons and the amount of profit to 5.1 million yuan, an increase of 34.6 and 96.1 percent respectively compared to the same period last year.

The reporter was told by an obviously elated comrade responsible for the Light Industry Bureau of the province that since the Third Plenary Session of the 11th Party Central Committee, the dairy industry in our province has been developing at a rapid pace, that the average annual increase in the rate of production has been over 37 percent, that the amount of production in 1981 was 1.4 times that of 1978, and that the dairy industry accumulated the amount of 27 million yuan for the state during the 3-year period. That the dairy industry is able to revive after a period of decline is mainly the result of the formulation and implementation of the four-fold policy by the provincial party committee and the provincial government to permit the families of commune members to raise dairy cattle, to grant tax exemptions for milk deliveries, to exchange fodder for milk, and to increase the procurement price of milk. According to statistics, the number of dairy cattle in inventory in the province in July, 1982 came to 100,000, or twice the number in 1978.

On 10 August, the reporter paid a visit to a milk products company in Zhaodong County. According to Chi Guosheng [7871 0948 0581], the company manager, the company was able to achieve what it had because of the correct policy adopted since the Third Plenary Session of the 11th Party Central Committee. During the 10-year period of calamity, when the raising of dairy cattle by the families of commune members was frowned upon as "an adjunct of capitalism," the peasants turned pale at the mention of cows and were afraid to raise dairy cattle. Prior to the "Great Cultural Revolution," there were over 700 commune families which raised dairy cattle in the county. By 1975, only some 50 families were so engaged and all the dairy plants were idled. During the past



3 years, the number of families engaged in raising dairy cattle in the county shot up to 1,500. State-operated dairy farms have come into being, and the communes and brigades in the rural areas are vying with one another in the raising of dairy cattle. Since summer, this milk products company has been collecting over 50 tons of milk a day. It is more than the leadership cadres and workers can do to handle the volume of milk even when the company is kept working three shifts a day.

To develop its resources to the full and to the best advantage, the provincial government has resorted to various means to raise capital funds to assist 20 enterprises in Zhaodong, Anda and Qiqihar to tap their resources, to rebuild and to expand. The replacement of the outdated equipment of the 1950's has increased the productive capacity of the enterprises so that the daily volume of milk treated at the plants throughout the province has increased from some 300 to over 600 tons. Simultaneously, 13 milk products enterprises have been newly established in the half-agricultural and half-pastoral counties of Lindian, Gannan, Zhaoyuan and Lanxi. Making use of the long-term interest-free loans extended by the Danish Government, the provincial government this year has brought in advanced techniques and equipment to begin construction in Anda of a modern large-scale milk products plant capable of handling 200 tons of fresh milk a day.

The milk products establishments in the province are presently engaged in a campaign to excel and to push their brand of products and have achieved gratifying results in seeking to come up to and to exceed the advanced standard set domestically and abroad. The "Shuang Gung" brand of milk powder for babies, the "Wan Da Shan" brand of unsweetened milk powder and the "Red Plum" brand of sweetened condensed milk have at different times been awarded silver medals for excellence by the state. Seven of the 10 products cited for excellence by the Ministry of Light Industry have come from our province. These milk products are prized throughout the nation for their aroma, purity and nutritional value. The backward state of the products characterized by the lack of variety and "sameness over a 10-year period" is a thing of the past. The food industries and milk products research institutes in the province have put the results of their scientific research to practical use in the area of production and have established close cooperation with the productive enterprises in putting out new products every year. Such products as powdered milk for babies, soy bean milk powder, chocolate milk powder and enriched ginseng milk powder which have been put in the market have received favorable response from the consumers. Research has been completed for the production of such new products as coffee milk powder, goat cheese and yoghurt. Research is being undertaken in the production of substitute human milk powder, milk powder for expectant mothers and black tea milk powder.

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CSO: 4006/073

## INDUSTRY

### OVEREMPHASIS ON HEAVY INDUSTRIES IN LIAONING CORRECTED

Shanghai ZHONGGUO CAIMAO BAO in Chinese 7 Oct 82 p 1

[Article: "Liaoning Corrects Situation Marked by Overemphasis on Heavy Industries and Crudity of Products"]

[Text] While implementing in a conscientious manner the policy of readjustment, restructuring, reorganization and upgrading, the industrial departments in Liaoning have found ways and means for the heavy industries to promote the light industries and vice versa and to alter the economic structure based entirely on heavy industries. The change in the situation marked by an overemphasis on heavy industries and the crudity of their products may be seen in the following:

First, the value of the output of the light and textile industries has climbed from 26.7 percent of the total industrial output value in 1978 to 35.9 percent at the annual rate of increase of 15 percent. Compared to 3 years ago, such products as bicycles, watches and sewing machines have increased by over 100 percent while television sets, tape recorders, semiconductor parts, chemical fibers and washing machines have increased by one to three times.

Second, there is an annual increase in quality brand-name products. In 1979, while 23 products were awarded gold or silver medals by the government for excellence, 45, of which 18 being light, textile and electronic products, have been cited for excellence in a preliminary list made public this year. Lead glassware made by the Dalian Glassware Factory ranks first in quality in the nation and among the best in the world. Quality metallurgical products made in Liaoning have long constituted some 40 percent of the best similar products in the nation.

Third, the heavy industries themselves have made adjustments in the structure of their products. Attention is being paid to market needs, client interests and customer services. The sale of products in demand has been increasing year by year. The Anshan Steelworks has introduced 73 new types of steel and steel products, supplied 6.5 million tons of steel which is in short supply to various trades and businesses throughout the nation and completely fulfilled its contracts for steel orders. The Dalian Steelworks, which specializes in the production of special types of steel, has in the past 3 years added to its line of production over 700 types of steel and steel products and over 7,000 specifications.

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## INDUSTRY

### CAUSES OF SHORTAGE OF STEEL SUPPLIES REVIEWED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 23 Aug 82 p 11

[Article by Wang Qimou 3769 6386 6180]: "Is There a Real Shortage of Steel Supplies at the Present Time?"

[Text] A shortage of steel developed all of a sudden following the implementation of planned management and the adoption of certain measures by the nation's supply and metallurgical departments in the first half of this year. It came as a great surprise to the people that there should be a sudden shortage of steel in view of the 20 million tons of steel held in stock in the nation and the fact that the heavy industries, which had been in decline the past few years, had only begun to make a recovery this year. Is the shortage due to natural causes or human factors?

To answer this question, it is necessary to have a clear idea of the disposition of the 20 million tons of steel held in stock. Of that amount, 75 percent is in the hands of 400,000 industrial enterprises, basic construction units and their responsible agencies. Less than 20 percent is in the hands of the supply departments, while the rest is held by the steel production bureaus. Of the amount held in stock by the various productive enterprises and basic construction departments, each of the 400,000 enterprises and construction units has in its possession an average of only several dozen tons. Furthermore, a certain amount of steel which has been damaged by rust as a result of having been held in stock over a long period of time can only be made use of locally instead of being shipped to other areas of the nation. In the past 2 or 3 years, Shanghai has made good use of 30,000 tons of steel out of the surplus amount held in stock after it had been reconditioned by the municipal supply departments.

What then has led to the steel shortage?

First, the upturn made this year by the machine and basic construction industries following a period of adjustment. The total output value of the industries has increased by 7.4 percent compared to the same period last year, while the consumption of steel increased by 10.2 percent the first 6 months of the year compared to the same period last year. The increase came to 5 percent in the light and textile industries and the handicraft industries, 8.6 percent in the machine industry and 22 percent in basic constructions.

Second, many of the enterprises are adding to their stockpile. Although at the end of June, 1982, the steel stockpiled in Shanghai was some 40,000 tons less than the amount at the beginning of the year, the amount of steel, not counting that in the hands of the supply departments, stockpiled by the major industries and construction units was only a negligible 500 tons short of the amount at the beginning of the year. That goes to show that while using up steel, many of the units are replenishing their supply in volume and that it is the amount of steel stockpiled by the supply departments that is being reduced. When the amount of steel stockpiled by the supply departments is reduced, the shortage in the varieties and specifications of steel, which is already in short supply, is increased. It is due to the unavailability of certain specifications urgently needed by some units that has led to the supply shortage.

Third, the man-made shortage has led to the blind hoarding of scarce materials. Because of the limitations in the productive capacity of the metallurgical industries and the amount of profit to be realized from their productions, some of the steel varieties and specifications are still in short supply so that the demand continues to exceed the supply. Adding to the problem is the fact that the measures adopted by the concerned departments are less than ideal, so that at the mention of planned leadership, all the same old methods are dusted up and trundled out. This has caused the supply departments of some enterprises to panic and to buy up scarce materials. It is clear therefore that the steel shortage is partly due to human factors. The fact is that the amount of steel produced in the nation this year plus the amount imported from abroad is balanced with consumption needs and can meet not only consumer needs, but that there is even a surplus of 1 or 2 million tons. There should be no shortage of steel this year if the concerned departments would only adopt the proper measures, put out the types and specifications of products which are in demand, allocate steel equitably and deal with the problem of supply in an efficient manner.

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CSO: 4006/073

## INDUSTRY

### BRIEFS

GOLD-DREDGING BOATS--Following trial runs lasting over a month, three newly-built medium-sized gold-dredging boats and one even newer model constructed by the Wudaogou and Handa Gas Mines under the Heihe Gold Mining Bureau were put into operation on 1 August. Up to yesterday, 344.5 liang of gold has been produced. Construction work on the three new boats which have been put into operation began in February, 1981. They are much superior to the same class of gold-dredging boats presently in use in the nation in point of design, technical procedure and equipment and the way the hull is put together. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 9 Aug 82 p 1] 9621

CSO: 4006/073

## CONSTRUCTION

### LACK OF QUALITY IN CAPITAL CONSTRUCTION CITED

Guangzhou NANFANG RIBAO in Chinese 13 Aug 82 p 2

[Report by staff correspondent Tan Renliang [6223 0117 5328] and staff reporter Wang Dekuan [3769 1795 1401]: "Make Scientific Management Strict, Assure Quality in Construction Work"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, the party central committee and party committees at various levels have, for the sake of improving the people's livelihood, provided large sums of investment for construction of housing and other amenities and at the same time adopted flexible measures to accelerate the speed of capital construction. During the past few years, new houses and new multi-storied buildings have mushroomed everywhere, and the aspect of the cities and countryside has undergone a radical change. But, worthy of our attention is that the quality of some construction work is low; some multi-storied buildings have crumbled almost as soon as they are constructed, and some have begun to skew while still being built or have shown cracks as soon as they are completed. All this has brought losses to the state and the people which they should not have sustained.

Why such a situation has come about? In our understanding the main reasons are:

1. The guidance provided by state plans is not followed; projects of capital construction are started at random without advanced approval, or small projects are reported but large ones undertaken resulting in an over-extension of the front of capital construction and shortage of materials and manpower and leading to a deterioration in the quality of construction. For instance, in the Huicheng district of Xinhui County, among 104 construction units and their 200 projects currently under construction, those without advance approval number as many as 38, which make up 19 percent of all projects of capital construction. Among the 162 planned projects of construction work, the situation of reporting small scale but actually constructing on a larger scale is also very serious. The total building space originally approved was 162,026 square meters at a total investment of 27.84 million yuan; but the real space being built amounts to 224,520 square meters, which exceeds the original plans by 36 percent, and the real investment required amounts to 41.08 million yuan, which exceeds the original plans by 49.3 percent. Situations similar to this have

been found everywhere; thus comparing 1981 to 1980, investment in the province's capital construction exceeded its original plans by 23.6 percent. This way, not only the capital and materials become dissipated, but the ranks of the working staff for such new capital construction become augmented considerably, design and construction management fall behind and serious problems are met in maintaining quality of construction.

2. Uniform, relevant management by the responsible capital construction departments has not been followed; thus the situation of having no license but undertaking to do the designing, having no license but getting construction started, and privately recruiting contract work teams at random has become rather common, and this too has seriously affected the quality of our construction. For instance, in expanding its construction of a three-storied weaving workshop with a space of 3,000 square meters, the Xiaolan township textile mill of Zhongshan County, without obtaining the consent of the capital constructions bureaus of the two counties concerned and without following the prescribed procedure of advance examination and approval concerning the handling of cross-county construction work, proceeded directly to have the leaders of the township strike up a connection with the leaders of the hydro-electric power bureau of Xinhui County, and, after the hydro-electric power bureau of Xinhui County contracted this construction work it further contracted the designing and construction undertakings out to the construction team of the Daze Commune in Xinhui County which has no certificates for designing or construction work. Under the condition of having neither geological survey data nor any pile drivers, this construction team nevertheless proceeded blindly to carry out the designing and construction work, with the foundation loading capacity thus falling 3 to 3.5 times short and installing only one third of the reinforcing bars that should have been inserted in the principal beams of the various stories of the structure; in addition, the completed workshop structure turns out to be both low and dark and simply not suitable for meeting the needs of the production of a textile mill. Because of errors in the design, plus shoddy work in the process of the construction, the completed building turns out to settle and crack seriously and, after inspection, to be eventually judged as a dangerous building that must be torn down and rebuilt again. The resultant loss amounted to nearly 100,000 yuan.

3. Some construction teams attempt to earn profits in a one-sided manner; they are engaged in second-hand contracting deals and a devious type of exploitation of hired workers and jerry-building plots; all this, too, has resulted in inferior quality in construction. For instance, the Jiujiang construction team of Nanhai County accepted a contract to build a 6-story dormitory building for the No 1 Middle School of Fushan; the construction space was 2,909 square meters and the per square meter contracted construction fee (for workers and management) was 36.83 yuan. Later, the team contracted it out to the construction team of Dawan Commune in Gaoyao County at 10 yuan per square meter (for work above the floor beams), i.e., with an intermediary's profit of nearly 10 yuan per square meter, and thereby collected nearly 30,000 yuan of illegal income. This resulted in low quality in the construction of the building, with crooked doors and windows. After the Dawan Commune construction team in Gaoyao County accepted the contract, it resorted further to shoddy work and made the quality of the building very low and therefore impossible to meet the requirements of its original design. Again, for instance, peasants of Zhouxin Commune in

Qingyuan County accepted a contract to build two dormitory structures respectively for the Dali Agricultural Science Station and Dali Transformer Station in Nanhai County; the construction space was 860 square meters. But, resorting to shoddy work, they substituted loess clay for sand mortar and brick-laying and they covered walls with field mud; as a result, as soon as it was completed, the buildings immediately became dangerous ones and had to be reconstructed. The loss amounted to several tens of thousands of yuan. According to what has become understood, on the basis of pertinent provisions of the state, all those who are engaged in the construction trade must be approved by the people's government at the superior level and register with the provincial construction committee after examination, with business permits issued to them, before they can start to operate legitimately. Yet, in recent years not only many unlicensed construction teams in the countryside have surged in large numbers into the cities, the commercial enterprises, engineering and transportation outfits, and even schools in some counties have with neither registration nor approval likewise taken it upon themselves to organize construction teams to accept contracts for construction work; this has resulted in low quality in such construction work.

Capital construction is a major undertaking of lasting importance; it is an undertaking to create happiness for our posterity. We must insist on quality first in this undertaking. We must strictly rectify our capital construction undertakings and strictly follow capital construction procedures in our operations and definitely cannot allow such a confusing situation to continue.

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CSO: 4006/005



## CONSTRUCTION

### NEW DEVELOPMENTS IN CONSTRUCTION MATERIALS INDUSTRIES REPORTED

Beijing GONGREN RIBAO in Chinese 23 Aug 82 p 3

[Report by Shi Chunwu [0670 4783 2976]: "The Construction Materials Industries Which Are Closely Related to the People's Housing Are Developing Forward Continuously in the Midst of the Readjustment of our National Economy and Have Achieved Conspicuous Results; They Have Made a Positive Contribution to the State's Construction Program and the Improvement of the People's Housing Conditions in Our Urban and Rural Areas."]

[Text] In 1981 as compared to 1978, the output of cement, plate glass, sanitary enamel and bricks has increased by large margins. The quality of various construction materials has all improved; 22 of these materials have been honored with a state quality award, and 213 of them have been respectively appraised by various provinces, municipalities and autonomous regions as products of fine quality. In the first half of this year, the total output of the entire system of construction materials industries has increased by 11 percent over that of the corresponding period last year, and the profits therefrom have increased by 41.16 percent over those of the corresponding period last year.

The newly developed light construction materials industries have also achieved very great results during the last few years. Nine new production bases for new construction materials are being built across the country; they are already acquiring parts of their production capabilities and beginning to build housing by batches. Thus, there are across the country already 23 large and medium cities where dwellings built of frames and light boards are now available; housing space of such dwellings already completed amounts to 750,000 square meters, and another 300,000 square meters are going to be added according to plan this year.

Since the Third Plenary Session of the 11th Party Central Committee, an upsurge in farm housing construction has emerged in various places in the countryside along with an improvement in the peasants' living standards. Last year, 8 million farm households across the country built new houses, with resultant newly built housing space amounting to 600 million square meters. The construction materials departments have gradually reoriented their direction of service from cities and factories and mines toward the countryside with yearly increase in the supply of construction materials for farm housing. In 1980, there were

produced 1.2 million cubic meters of cement structures for farm housing; this increased to 2 million cubic meters in 1981. The cement structures produced in these two years, in turn, are equivalent to a saving of 6.4 million cubic meters of housing lumber for the state.

In order to change the backward outlook of the construction materials industries and mollify the contradictions between production and demand, the departments of construction materials have also energetically remodeled old plants and built new plants through the method of concentrating the needed funds. The Beijing new-type construction materials plant, and the three cement plants of Jidong, Huaihai, and Ningguo which have imported advanced equipment from abroad, were built one after another; the asbestos and gypsum board workshops of the Beijing new-type construction materials plant have already been built and launched into production. New techniques achieved through our own research such as out-of-kiln dissolution of cement and the float glass technique have been further perfected in recent years and promoted elsewhere; a contingent of new production lines are thus now joining the construction effort.

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CSO: 4006/005

## CONSTRUCTION

### HOUSING CONSTRUCTION IN BEIJING SUBURBS UNDERWAY

Beijing BEIJING RIBAO in Chinese 18 Aug 82 p 1

[Report: "Under Centralized Leadership and Uniform Planning and the Inspiration of the Spirit of the Third Plenary Session of the 11th Party Central Committee, the Gucheng and Bajiao Districts Have During the Past Three Years Begun Building a New Town: Housing Space Completed Amounts to 88,000 Square Meters, an Equivalent of 6.5 Times That of 30 Years Ago; The New Town Now Has More Than 70,000 Residents"]

[Text] Reporter Huang Huachang [7806 5478 2490] reports: One day in June this year, when a cadre who had worked under the Shijingshan district party committee for many years and who was transferred to an external place 4 years ago came to the capital on official business and returned to the new Gucheng, he somehow failed to find the place where the Gucheng Middle School used to be located. During the past 3 years, the Gucheng and Bajiao districts have undergone tremendous changes; several tens of multi-storied buildings and seven or eight streets have been built, and they have begun to form a new town which accommodates more than 70,000 residents.

Gucheng and Bajiao are situated on the Yongding River delta; they originally consisted merely of forlorn river beaches strewn with rocks. After liberation, the Capital Steel Works built some multi-storied houses along the eastern side of the Gucheng Street and in the Bajiao Village. But between the Gucheng Street and Bajiao Village were still just a stretch of open field, forlorn beach, and a dusty dirt road. In 1979 the Shijingshan district government, under the inspiration of the spirit of the Third Plenary Session of the 11th Party Central Committee and for the sake of speeding up the pace of construction in the capital, followed the uniform plan of the Beijing Municipality and formulated its own construction plan for the Gucheng and Bajiao districts. In May 1980, the district government again responded to the demand of the four directives of the Central Secretariat on the policy of construction in the capital by formulating anew its construction plan. Adopting the policy of a combination of the municipality's development company organizing uniform construction and the Shijingshan District raising its own funds for the construction, it brought into full play the enthusiasm of both the municipality and the district. The Shijingshan district government also paid attention to mobilizing the enthusiasm of various circles so as to make the solution of such troublesome problems as land requisition and house demolition and removal easier;

construction funds, construction materials, and manpower for construction were thus assured in time, and the pace of construction became thereby accelerated too. During the past 3 years, on this 9 square kilometers of land, for housing space alone, more than 200,000 square meters of construction was started, an equivalent of 14.1 times the residential housing space construction started between 1949 and 1978; completed housing space during the same period amounted to 88,000 square meters, an equivalent to 6.55 times the total housing space completed in previous 30 years. At present, the eastern, western, central and northern districts of this new town have already been basically built; efforts are being made right now to build the Bajiao residential area in the northeast and the high-rise residential area in the southwest. The several newly built streets measure 30 meters each in width, and all are of asphalt roads. These roads are joined to Gucheng Street and Shijingshan Street to make a network of thoroughfares in this township area.

In building this new town, because of centralized leadership and uniform planning, the construction of residential housing, public facilities, and commercial service network outlets all got started and completed at the same time. And once the residential houses were built, they were immediately turned over for occupation. During the past 3 years, new houses already delivered for occupation have amounted to 1,200 units. The deployment of commercial network outlets has also proved to be more rational. Along both sides of the newly built Gucheng Eastern Street are multi-storied residential buildings; on the street have been established commercial service network outlets such as foodstuff, foodgrain, vegetables, snacks, sewing, watch and clock repair, telecommunications, savings, etc. At the center of the town, a commerce building with more than 3,000 square meters of space is being constructed right now in preparation for department store and auxiliary foodstuff operations. In order to enrich the cultural life of the masses, on the western side of Gucheng Southern Road has already been built a movie theater of soft tones and appealing style, and on Gucheng Northern Road, a youth palace. In the southeastern corner of the town, a rather large gymnastic arena is being built, in which a track field, a soccer field and two swimming pools are already completed and put in service. In this new town, there are now six middle schools and seven elementary schools; this makes it very convenient for the children to attend school.

Putting emphasis on making the environment green and beautiful is another characteristic of the construction work in this new town. Along both sides of all roads built here are planted plenty of trees and flowers as well as grass. In the clearings between compounds of multi-storied buildings are developed small patches of green-covered grounds with grass, flowers and trees planted therein. The exquisite, graceful Gucheng Park is situated at the center of the town; it was built within one year with the support of all circles. Because a good job was done in making the place green, the air here is fresh and clean, and the environment very fine.

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CSO: 4006/005

## DOMESTIC TRADE

### RAPID MOVEMENT OF INDUSTRIAL PRODUCTS TO RURAL AREA URGED

Guangzhou GUANGZHOU RIBAO in Chinese 15 Oct 82 p 1

[Article by Huang Shengan [7806 4141 1344] and Sun Jianyu [1327 1017 1938]: "Move Industrial Products to the Hands of the Peasants As Rapidly As Possible; New Measures Have Been Advanced by Related Units of the Municipal Finance and Trade System and Opened Up New Prospect for Industrial Products to Move to the Rural Areas"]

[Text] "The mind thinks of the rural area, the eyes look towards the rural area, people run to the rural area, goods are sent to the rural area." This is the request made to related units of the municipal finance and trade system by the municipal leadership group for tending industrial products to the rural areas to meet the peak buying and selling season.

The fourth quarter of the year is the peak buying and selling season in the rural areas. During the fourth quarter of this year, various industrial products, abundant in quantity and style, will be moved to the rural areas in a steady stream through various means of transport. The specialized companies and wholesale stores for general merchandise, hardware, transportation and electrical appliances, textiles, chemicals, and pharmaceuticals under the municipality's First Bureau of Commerce have decided to break with the custom of doing business in stores and to practice mobile trade. They plan to stage large industrial products exchange, exhibition, and sales fairs with the business and supply and sales in the counties and cities in the last part of October. This type of exhibition and sales fair will change the past practice of only emphasizing wholesale and neglecting retail. The practice of uniting wholesale with retail, goods for future delivery with shelf goods, high grade goods with low cost goods will be adopted, and industrial products will come into direct contact with the peasants. The various specialized companies will one by one tour the communes to engage in sales exhibits and mobile sales. During the height of the autumn harvest season, they will also visit the brigades to set up illuminated night markets. For those products which are currently in relatively tight supply but have a close relationship to the lives of the peasants, such as bicycles, matches, cotton cloth, round nails, iron wire, and woolen yarn, the related departments are thoroughly carrying out the principle of preferential supply to the rural areas and have made suitable arrangements. In order to develop

the sales of televisions, recorders, electric rice cookers, washing machines, and refrigerators and firmly carry out the work of assuring the availability of repairs and maintenance, the municipal hardware, transportation, and electrical appliances companies and general merchandise companies have already announced that they will help the counties and communes to train repair personnel. At the same time, these companies will dispatch people to do repairs in the rural areas.

In order to properly carry out the work of moving industrial products to the rural areas, the municipal sugar, tobacco, and wine company, municipal daily miscellaneous products company, municipal people's bank, and agricultural bank have all expressed that for the movement of industrial products to the rural areas they will turn on the green light in both sources of goods and funding. In addition to continuing to adopt the past effective methods (such as accounting of funds used after completion of sales, installment payment, entrusted sales, expanding commission sales, and other forms of accounting), the various related specialized companies and wholesale shops are planning to adopt methods by which goods received recently but not sold could be returned. This is aimed at eliminating the fears and concerns of some basic level supply and sales associations that they may have a millstone around their necks if they continue to take in goods while there is a shortage of funds or a large stock in the warehouse. In addition, such measures as lowering the benchmark for retail sales and reduction of delivery time will also be put into practice in order to provide the best possible service for the third class wholesale departments and basic level supply and sales associations in the counties.

Based on our understanding, the rural markets have flourished and income of the peasants has shown a general improvement since the Third Plenary Session of Party's 11th National Congress. Based on the information for the first half of this year, the retail of social products in the 6 counties accounted for only 19.6 percent of the total for the entire municipality while they have about half of the total population. Within this percentage, the retail of industrial products under the municipal First Bureau of Commerce was less than 3 percent. The commercial departments in the municipal region are always crying that the warehouse stocks are large and the goods on hand are not being sold. Yet, with money in their pockets, the peasants are finding it difficult to buy the industrial products they like. This shows that there are problems in the work of moving industrial products to the rural areas and it has not been possible to satisfy the increasing material needs of the peasants. Currently, there exists in the movement of industrial products to the rural areas the phenomenon of free at the top, sluggish in the middle, and clogged at the bottom. The key problem lies in the fact that what we have is a system of division of labor between the urban and rural areas with many links, where the state-operated commerce is responsible above the county and city level and, in the collective towns and rural areas below the county level, the basic level supply and sales associations operate with wholesale goods allocated by the state operations.

This system of divided urban and rural markets and clogged avenues cannot be corrected quickly. However, once management is straightened out, it will be possible to find ways to clear the avenue for the circulation of goods.

In September of this year, the various companies under the municipal First Bureau of Commerce emphasized this work and results were achieved in one month. During September, goods allocated by the bureau to the rural areas amounted to more than 19 million yuan, an increase of 6.3 percent over August. The municipal pharmaceutical and chemical companies also assisted Xinfeng and Longmen to increase their network locations. The hardware, transportation, and electrical appliance companies also dispatched maintenance personnel to repair over 1,300 radios for the rural areas. These practices show that as long as we overcome the ideology of passive waiting, grumbling and blaming others and start to move actively, we can improve the movement of industrial products to the rural areas even under the present circulation system.

In order to more thoroughly carry out the "decision concerning the clearing of the urban and rural avenue of goods circulation and expansion of industrial products movement to the rural areas" of the State Council, a special leadership group was established by our municipality to expand the movement of industrial products to the rural areas. The group has asked that at the same time that goods are delivered to the rural areas during the fourth quarter, forecasts on the rural markets should be strengthened by selecting some representative communes to increase extension points for state operations, which can then be used as observation posts to observe and measure the movement of the rural markets. At the same, investigations for system reform should be moved forward and a new system of division of labor according to products and unified urban and rural control should be established as rapidly as possible.

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CSO: 4006/81

## DOMESTIC TRADE

### BRIEFS

YUNNAN PURCHASE, SALES CONFERENCE--Yesterday evening, the Yunnan Provincial People's Government held a telephone conference to mobilize all finance and trade workers to do well in grasping purchase and sales work in the busy season. Vice Governor Wu Shengmin participated. (Cui Jiequan), director of the provincial finance office, spoke, saying that the period from now to the spring festival next year is a busy commercial season and that all financial and trade departments must do well in grasping purchase and sales work in the busy season. They must firmly grasp the procurement of grain and agricultural and sideline products and vigorously arrange for industrial products to be supplied to rural areas. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 16 Nov 82]

GUIZHOU NATIONALITY TRADE MEETING--Guizhou Province recently held a meeting of the managers of all nationality trade companies throughout the province. The meeting put forward that in nationality trade in the coming winter and spring, it is necessary to emphasize the following three tasks: 1) We must take the 12th Party Congress documents as our guiding principle and deepen our understanding of the importance and long-term nature of nationality trade work and, in accordance with the provincial people's government's regulations, quickly establish and put on a sound basis the nationality trade companies in the countries where they should be established and assign people to do nationality trade work as quickly as possible; 2) we must do well in investigating and studying the market and vigorously arrange for the production and supply of commodities which are specially needed by the minority-nationality people; and 3) we must promote the sales of nationality commodities. [Giyang Guizhou Provincial Service in Mandarin 1100 GMT 5 Nov 82]

CSO: 4006/131



## FOREIGN TRADE

### PROPER MANAGEMENT OF SPECIAL ECONOMIC ZONE URGED

Fuzhou FUJIAN RIBAO in Chinese 26 Sep 82 p 2

[Article: Managing Special Economic Zones with Firmness; Abstract of Talk by Wang Yishi [3769 0001 1102], Director of Amoy Special Economic Zone Control Commission"]

[Text] Comrade Hu Yaobang stated in his report that our gross industrial and agricultural production value should be tripled by the end of the century, this is a great and inspiring objective. We are a province for special policy implementation and Amoy is established as a special zone. Our rate of development should be faster and we should make a greater contribution to the magnificent objective.

Implementing an open policy and increasing economic and technical exchanges with the outside, based on the principle of equality and mutual benefit, is the unswerving strategic policy of our country. The proper development of the special economic zones is a component part for carrying out the open policy. The proper development of the special zone not only will be beneficial in pushing forward our socialist modernization construction but also will have an important significance in winning Taiwan back to the fatherland. No one has ever developed a Chinese style special zone. The lack of experience is not important, but we must have confidence and our mental attitude is very important. There is an appropriate saying: "Crossing the river by groping rocks." This sentence implies: that a person must have courage. If someone is always afraid of falling into the river and does not dare to move, he cannot cross the river. The second is that a person must have drive. Crossing the river requires effort. If a person does not have drive, he cannot achieve anything. The third is that a person must be steady, feeling the rocks and moving forward firmly step by step, carefully with one's eyes open. We must develop the special zone properly from the beginning, we must not rush or try to do too much. We should achieve speed through steadiness. We should concentrate on things we are sure of and should not be afraid of problems. We should conscientiously summarize our experiences and should not hesitate to move forward.

The characteristics of a special zone are the import of foreign capital and the export of products. These two characteristics determines that its

economic category has an international character and that it is highly competitive in its development. We cannot develop a special zone independent of the developing conditions of the world economy. Neither can we develop it blindly without restriction and independent of the realities of China. We must persist with the principles of equality and mutual benefit and not national industries. We must also adapt to the characteristics of international competition. We must adopt more flexible, more courageous, and more attractive methods and be able to react quickly and flexibly to new conditions and new problems. To develop a special zone, we must have a strategic perspective. The absorption of foreign capital and import of technology is to strengthen our self-reliance and accelerate the development of the four modernizations. Imported technology must be properly digested and absorbed for our use. No matter what methods we use to absorb foreign capital and import technology, we must adhere to the principles of equality and mutual benefit. "If we want to take, we must first give." If you do not provide others with some benefit, they will not come in. We must think of long-range benefits for the total situation and not quick successes and short-term benefits.

The construction of socialist spiritual civilization occupies a prominent position in the work of the special zone. The contents of spiritual civilization construction are numerous. We should take a firm hold primarily on two of these. The first one is education on patriotism. China is a great nation. The Chinese people have high aspirations and have the capability to reach the world's advanced ranks. The second is education on socialism. Not only must we explain socialism clearly in theory, we must also prove that the socialist system is superior to the capitalist system in actual practice.

The work in the special zone is very difficult. It urgently requires cadres who are capable of widening the prospects. We need cadres with revolutionary idealism, revolutionary drive, and revolutionary toughness, who are not afraid of rebuff, dare to create new things, dare to break through irrational regulations and systems, work with determination and decisiveness, stress actual results, do not seek personal benefits, and work hard to develop the special zone with one mind and one thought. This type of cadre is a "person of understanding." His head is clear and he understands all types of complicated situations. To be such a person, he must first conscientiously study the documents of the Party's 12th National Congress and related documents and directives of the central government, understand their spirit, and use them to direct the special zone work. Second, he must study and draw lessons from experiences abroad and absorb beneficial things. Third, he must strengthen his investigation and study, become completely familiar with his profession, and know his region, department, or unit and the work under his direction as well as he knows his fingers. If we do not have a group of this type of "persons with a mind" and "persons of understanding," it will not be possible to open up a new prospect.

We must have a sense of urgency. The effective time in a year is only 3,000 hours. In the 18 years between now and the end of the century, there are only 50,000 some hours of effective time. To accomplish the gigantic task within this limited time is extremely difficult. We must cherish this limited time and stress work efficiency and economic benefits.

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CSO: 4006/81

## FOREIGN TRADE

### RAPID DEVELOPMENT OF EXPORT TRADE IN YINGKOU

OWL71012 Beijing XINHUA in English 0707 GMT 17 Nov 82

[Text] Shenyang, 17 Nov (XINHUA)--Export trade in Liaoning Province's Yingkou has grown at an average annual rate of 37.3 percent in the last 5 years, among the fastest in the country, according to the city's Foreign Trade Bureau.

It attributed the growth to full use of local resources and application of foreign funds to both production techniques and technological upgrading.

This medium-sized city with a population of 2.7 million has 10 export-oriented factories, mainly in the light and textile industries, and 10 export production centers for shell-fish, apples, tomatoes, almonds, asparagus, antlers, rabbits and other farm and sideline produce.

The volume of state purchases for export is 7 percent of the city's total industrial and agricultural output value, the bureau said.

Before 1977, export purchase ranged between 50 million and 80 million yuan. In 1978, it topped 100 million yuan. The figure grew to 150 million yuan in 1979 and 242 million yuan in 1980. In the first 10 months of this year, purchase was more than 204 million yuan.

The city is now exporting 141 products to more than 70 countries and regions.

Since 1973, the city has used more than U.S.\$23 million of foreign investment to update production equipment.

In 1981, the textile industry, after being revamped, produced 102.8 million yuan worth of goods compared with 20 million yuan in 1973. In the first 10 months of this year, textile export purchase surpassed 106 million yuan, 14.5 percent more than the same 1981 period.

The city has kept abreast of foreign markets and made production responsive to demands. In the first 10 months of this year, the city has put 25 new products on the international market, maintaining an average established in 1978.

CSO: 4020/27

## FOREIGN TRADE

### NEWSLETTER NO 4 ON SHENZHEN SPECIAL ECONOMIC ZONE VISIT

OW131321 Beijing XINHUA Domestic Service in Chinese 0146 GMT 11 Nov 82

[Newsletter by XINHUA reporters Qi Xiu, He Yunhua and Li Zhengjie]

[Excerpts] Shenzhen, 11 Nov (XINHUA)--Newsletter: A new attempt at economic management--fourth in series of travel notes on Shenzhen special economic zone.

One of the purposes of running a special economic zone is to absorb advanced foreign experience in enterprise management as a reference for economic reform in our country.

The Shenzhen special economic zone has many economic components, including state-run enterprises, collectively owned enterprises and individual households engaged in business, enterprises by foreign businessmen, joint ventures with Chinese and foreign capital, enterprises run in cooperation between Chinese and foreigners and other activities, such as processing and assembling with materials provided, compensation trade and so forth. The special economic zone is different from the inland as far as the economic structure, management and administration and the systems governing personnel, labor and wages are concerned. In short, the practice of "eating out of the same big pot" and holding a "iron rice bowl" has been basically done away with and only economic results are greatly emphasized.

We visited the Kaida toy factory owned by a traveling trader. The owner of this factory purchased a four-story industrial building in the Shekou industrial district. It started a test production run less than 40 days after moving in, installing equipment and training new workers. This factory now has more than 600 workers and the number of workers will be increased to 1,700 after formally beginning operations. The whole factory has only three management personnel, the factory manager, manager and chief custodian. When we walked into the factory office of about 20 square meters, we found no one sitting at the desks, both the factory manager and the manager were standing and listening to reports and plans. Every worker was busy in the factory. On the assembly line, products were seen rolling along like flowing water and each and every worker worked with great intensity, paying no attention to the visitors. The factory manager, the manager and all workers carried a name tag showing name, position and his personal photo.

Several shift supervisors were checking finished products and filling out evaluation figures. This kind of evaluation chart was the basis for computing workers' pay. Such a way of doing things in an enterprise run by foreign capital with less people and more emphasis on operating efficiency is worthy of our study.

To absorb advanced management experience from enterprises run with foreign capital and at the same time implement the directives of the Central Committee and the State Council, the people's government of the special economic zone, as the leading organ of the special economic zone, initiated the simplification of structure and restructuring of the economic management system, beginning in August last year. The special economic zone government abolished 18 administrative organs at bureau level dealing with industry, commerce, foreign trade and tourism, and converted them to specialized companies, such as the machinery, automobile parts and electronic industrial company and so forth, which conducted economic activities independently. After restructuring, the number of party and government personnel in the whole municipality was reduced from 2,237 to 867, or a reduction of 65 percent.

Personnel and labor management in the special economic zone is based primarily on a contract system. The enterprises will openly recruit workers, based on needs, and choose and hire those who are good. Workers who were hired after evaluation would sign a labor contract with the enterprise, which stated that the factory has the right to dismiss a worker for violation of factory discipline; workers, on the other hand, can also submit their resignation from the enterprise in accordance with the provisions of the contract. The wages for workers and staff members of enterprises in the special zone are computed primarily on piecework. The floating wage system is also applied to most cadres in enterprises in the special zone as to workers in general.

As a whole, the economic management in the special economic zone has these characteristics: 1) Higher operating efficiency with trimmed personnel and simplified structure; 2) the practice of holding the "iron rice bowl" and "eating out of the same big pot" has been done away with among workers and cadres in enterprises. Are these not worthy of being emulated by economic administrative departments in the interior?

CSO: 4006/132

FOREIGN TRADE

NEWSLETTER NO 6 ON SHENZHEN ECONOMIC ZONE

OW162052 Beijing XINHUA Domestic Service in Chinese 0210 GMT 15 Nov 82

[Newsletter by XINHUA reporters Li Zhengjie, Qi Xiu and He Yunhua]

[Excerpts] Shenzhen, 15 Nov (XINHUA)--Newsletter: The special economic zone's style and features--sixth of travel notes on the Shenzhen special economic zone.

What is the nature of social conduct in the Shenzhen special economic zone since it was opened to foreign countries; has it become somewhat "exotic?" This is a question of concern to many people.

While in Shenzhen, we visited a number of factories, farms and parks as well as the cultural palace and interviewed several workers at their home. We went to many stores, big and small, in the downtown sections and we strolled along the streets after nightfall, admiring the evening scene of the town. We were deeply impressed by the seething atmosphere of construction, the people's high spirits at work and the quick tempo of daily life everywhere we went. During the day we saw few people loitering. We did not see anything "exotic" as far as public order, social conduct and the people's speech and deportment there were concerned, although the natives' clothing followed the fashion and the girls preferred bright colors.

The behavior of young people often reflects social conduct. We interviewed a number of young workers in an effort to understand what they were doing and what they were thinking about. Pu Shaoying, a young female worker of the Shahe Overseas Chinese Enterprises Company, told us that she received a telegram from her birthplace on Hainan Island in February of this year telling her to return to her hometown immediately and to start the administrative procedures required for going to the United States. She had been a farm worker in Hainan before she left that island for Shenzhen in August 1981. Before her departure for this special economic zone, her foster father in the United States had instructed her to submit a request to the authorities for permission to leave the country for America. All that was in her mind at the time was to leave that poor gully of Hainan as soon as possible. The telegram she received told her that her request had been approved by the government. She began to hesitate about leaving her job

in Shenzhen, a special economic zone that has undergone rapid change. After 24 hours, she told the secretary of the workshop party branch in the company that she had decided not to leave for America but to stay on her job in Shenzhen.

Her decision was simple and practical. She felt that her livelihood had improved and she had a promising future by choosing to stay on her job here. Her feelings represent those of most young people in this special economic zone.

Since their livelihood is guaranteed, young people here have begun to show interest in studying culture, technology and foreign languages. By authorizing the enrollment of extra students, the evening school run by the Shenzhen Municipal Trade Union Council has enrolled more than 1,800 students. The initial enrollment about 2 years ago was no more than two dozen.

It is inevitable that some "flies" and "mosquitos" have flown into this special economic zone since the country adopted an open-door economic policy. In the trial of strength in the ideological field, the party organizations at all levels here are fully prepared. The Shenzhen Municipal Party Committee has stated explicitly that this zone has adopted special economic policies but that we cannot be special in party discipline and in social conduct which, if anything, should be more strict and more healthy.

After learning of these gratifying achievements here, we are convinced that under the leadership and solicitude of the central authorities, Shenzhen certainly will be built into a highly-cultured and prosperous socialist special economic zone.

CSO: 4006/132



## FOREIGN TRADE

### BRIEFS

XIZANG TRADE WITH NEPAL--To vigorously develop trade between China and Nepal, the Xizang Regional People's Government has brought the role of Nyalam, Gyirong and Burang Counties into full play and developed a small amount of trade at the border areas. The amount of trade between the region and Nepal in 1981 was some 100 percent more than in 1978. By the beginning of October, the region had exported some 1 million jin of sheep's wool and approximately 10,000 sheep, which was almost equal to the total amount of exports last year. [Lhasa Xizang Regional Service in Mandarin 1130 GMT 15 Nov 82]

XIZANG FOREIGN TRADE--The total amount of foreign trade transacted by state units in Xizang region last year amounted to some 4.487 million yuan, some 37 percent more than in 1979. The majority of commodities exported by the region were nationality handicraft products. The total amount of foreign trade transacted by state units throughout the region in 1979 was 3.996 million yuan, of which 2.738 million yuan was the amount of imports. The amount of imports in 1981 was 371,000 yuan less than in 1979. This has changed the situation in the import and export deficit. The total amount of foreign trade in Tingri, Yadong and Zhongba Counties in 1981 amounted to 1.27 million yuan, 991,000 yuan more than in 1979. [HK171532 Lhasa Xizang Regional Service in Mandarin 1130 GMT 15 Nov 82]

CSO: 4006/131

## GENERAL

### SICHUAN NPC DEPUTIES HAIL 6TH 5-YEAR PLAN

HK060333 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 5 Dec 82

[Text] According to XINHUA, the Sichuan provincial delegation attending the 5th session of the 5th NPC has been holding panel discussions on Premier Zhao Ziyang's report on the 6th 5-year plan and Minister Wang Bingqian's report on the state of execution of the 1982 state budget and the draft budget for 1983. People's deputy Comrade Zhao Ziyang took part in a panel discussion on the morning of 2 December.

The deputies held: Premier Zhao Ziyang's report on the 6th 5-year plan completely accords with the strategic goals, focal points and measures for the next 20 years set forth by the 12th party congress, clearly stipulates the targets of endeavor for the coming period, and closely links current work to long-term development prospects. It is a truth-seeking and encouraging report. They expressed complete agreement with it.

Deputies Wang Lizhi, Pei Changhui, (Zhou Qingyue), (Luo Tongda), (Wang Yichun) and (Xue Wancai) said: Premier Zhao Ziyang's report has summed up the experiences in China's national economic construction in the past 30 years and more, and accords with the current actual situation in the country. Its goals are clear, guidelines realistic, measures steady, and steps effective. We feel encouraged and enthusiastic at listening to this report. They all held: It is completely possible to accomplish all the tasks of the 6th 5-year plan, so long as the effort is made.

Deputy Meng Dongbo said: Stressing improvement of economic returns is a notable feature of the 6th 5-year plan. There are still great potentials in economic returns in Sichuan's industrial production. The key to fulfilling the 6th 5-year plan lies in an all-round improvement of economic returns. In connection with the situation in Sichuan, the following points should be grasped:

1. Straighten out the existing enterprises in an all-round way, comprehensively solve their problems, and perfect the economic responsibility systems that link responsibilities, rights and interests, so as to improve management standards.

2. In connection with restructuring the enterprises, be resolved to close, suspend, merge or convert a number of enterprises with very poor economic returns.
3. Speed up the pace of reorganization and formation of joint undertakings.
4. Actively promote the progress of science and technology.
5. Actively and steadily speed up the progress of reform of systems.

Deputies (Ke Zhao), (Xu Xi), (Deng Fang), (Tao Zhongliang) and (Wang Huaiwen) said: The 6th 5-year plan attaches great importance to the development of education, science and culture. Premier Zhao Ziyang pointed out in his report: Improving economic returns is the core, science is the key, and education is the foundation. The education departments too must improve economic returns. Viewing the current situation in the institutes of higher education, there are two things to be stressed: 1) the quality of the students trained there is not high; 2) not much is achieved in scientific research. They hoped to be able to gradually solve these problems.

CSO: 4006/137

## GENERAL

### BRIEFS

GUIZHOU NATIONALITY WORK CONFERENCE--From 1 to 5 November, the Guizhou Provincial CPC Committee held a conference in Guiyang Municipality on nationality work. The conference pointed out that the present and future tasks of the province's nationality work are, under the leadership of CPC committees at all levels, to place the development of the economy in the nationality areas before everything else, to develop modern socialist relations between nationalities, further strengthen the unity of all nationalities and strive to create a new situation in nationality work. Attending were responsible comrades of all prefectural, autonomous prefectural and municipal CPC committees in charge of nationality work and leading comrades of relevant departments, committees, offices and bureaus at the provincial level, totaling 92 people, 48 of whom are minority-nationality cadres. At the conclusion of the conference, Su Gang and Miao Chunting, responsible comrades of the provincial CPC Committee, spoke. In the light of the actual situation in the province, the conference formulated specific measures to carry out nationality work. The conference held that it is essential to strengthen economic construction in the nationality areas and improve the backward aspect of distant border and mountainous nationality areas as quickly as possible so as to improve the livelihood of all minority-nationality people. It is also imperative to really control the growth of population so that nationalities' education, culture, science, public health and physical culture will further develop. [HK161335 Guiyang Guizhou Provincial Service in Mandarin 1100 GMT 5 Nov 82]

CSO: 4006/131

## BRIEFS

TRADE MISSION TO BELGIUM, NETHERLANDS--Taipei, 25 Oct (CNA)--Two 25-member Chinese delegations left for Belgium and the Netherlands Monday to attend trade meetings to be held at Brussels and the Hague respectively. The two trade meetings, to be sponsored by the Sino-Belgium [and the Sino-Netherlands] and the economic cooperation respectively, will work out ways to further promote bilateral trade and to introduce more advance technology into this country. The two missions were respectively led by Fu Tzu-han, president of China Steel Corporation, and T.H. Lee, board chairman of Chinese Petroleum Corporation. And members came from Taiwan Power Company, Ret-Ser Engineering Agency, Bank of Communications, Industrial Technology Research Institute, Evergreen Marine Corp and Central Trust of China. [Text] [Taipei CNA in English 1011 GMT 25 Oct 82]

TRADE WITH JAPAN, U.S.--Taipei, 17 Oct (CNA)--The Board of Foreign Trade [BOFT] under the Ministry of Economic Affairs said Saturday that the two-way trade between the Republic of China and Japan during the period January-September 1982 totaled U.S.\$5,476 million. The Republic of China exported goods to Japan valued at U.S.\$1,830 million while importing U.S.\$3,637 million in Japanese products. That left a deficit of U.S.\$1,807 million in imports. As to the ROC-U.S. trade, the exports of the Republic of China to the United States during the same period reached U.S.\$6,543 million, an increase of 8.5 percent in comparison with last year. The imports from the U.S. during that period totaled U.S.\$3,531 million, a 5.5 percent decrease as compared with the same period of 1981. The Republic of China enjoyed an export surplus of U.S.\$3,012 million. The BOFT pointed out that the United States occupied 39.3 percent of the ROC's total export worth and 24.5 percent of ROC's total imports during the period, while Japan occupied 11 and 25.3 percent respectively. [Text] [Taipei CNA in English 0239 GMT 18 Oct 82]

SHIPBUILDING, TRADE PROSPECTS--Taipei, 26 Oct (CNA)--The Republic of China will be capable of carrying 70 percent of its exports by the nation's own ships when the third stage of its shipbuilding project is completed, Minister Lien Chan of the Communications Ministry said Monday. Minister Lien took part in a christening ceremony for the state-run Yangming Marine Transport Corporation's two new tankers--"Chen Ming" and "Fu Ming." Addressing the ceremony, Lien said more ships are to be built in order to help develop this country's economy and to strengthen foreign trade.

In the first two stages of the shipbuilding project, Lien said, 45 ships or about 2.2 million tons are to be built before the end of 1984, bringing the quantity of exports to be carried by local ships up to 35 percent. But this percentage will be doubled when the third stage of the project is finished, he added. [Text] [Taipei CNA in English 0259 GMT 26 Oct 82]

MARSHAL ISLANDS FISHING AGREEMENT--Taipei, 23 Oct (CNA)--A fisheries agreement between the government of the Marshal Islands and the government of the Republic of China was signed at the Ministry of Economic Affairs here Friday. The agreement was signed by Vice Economics Minister Chang Hsueh-shuen and Tony Debrum, secretary to the minister of foreign affairs of the Marshal Islands. So far, the Republic of China has signed fisheries agreements with South Africa, the United States, Tuvalu, the Kingdom of Tonga, Australia and the Cook Islands. Under the agreement, the Republic of China Tuna Fishing Association will sign a more detailed agreement with the Marshal Islands authorities for fishing in the economic zone of the Marshal Islands. [Text] [OW260657 Taipei CNA in English 0255 GMT 23 Oct 82]

CSO: 4020/26

END